

CHRON

THE WHITE HOUSE
WASHINGTON

DATE: 11/29/96

NOTE FOR: SECRETARY DAN GLICKMAN

The President has reviewed the attached, and it is forwarded to you for your:

Information ☒

Action ☐

The Honorable Daniel Glickman
Secretary of Agriculture

VIA SPECIAL MESSENGER

Thank you.

Staff Secretary
(x6-2702)

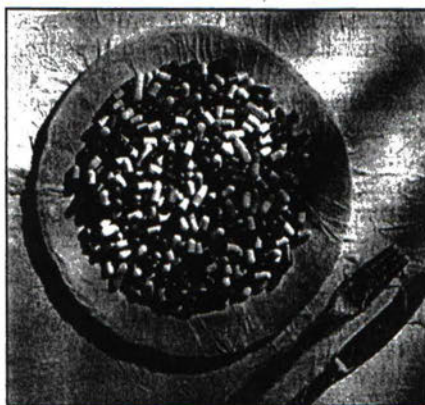
cc:

ponderous speeches about the horrors of hunger. The summit was enjoyed by the hundreds of burly, machine-gun-toting security men hired to guard them. It was enjoyed by the thousands of delegates, each of whom was given a natty conference satchel. But will it make fewer people hungry?

Unlikely. Hunger is largely the result of poverty, which is in turn mostly the result of bad policies (see box). And these policies are difficult to change. Not all is lost, however: there is mounting evidence that some of the worst effects of malnutrition can be cured with a few cheap technological fixes.

Over the past decade scientists have become increasingly aware of the importance of micronutrients such as vitamin A, iron and iodine. These are components of food which, unlike the protein, carbohydrate, fat and fibre that compose most of it, the human body needs in minute quantities—and which it cannot manufacture for itself.

Vitamin A, for example, is vital both for healthy eyesight and for the operation of the body's immune system. It is found in fruit and vegetables, and also in liver. Yet millions throughout Asia and sub-Saharan Africa do not get enough of it. Lack of iron leads to anaemia, an illness that affects almost 2 billion people. In poor countries mothers and young children are particularly likely to die as a result. And lack of iodine—a substance found particularly in



The missing ingredient

seafood—can cause the brain-damage and other abnormalities known collectively as cretinism.

According to a recent World Bank estimate, for every 50m people in South Asia, micronutrient deficiencies cause 20,000 deaths a year. They result in 11,000 children being born as cretins or going blind at an early age. And the loss of labour due to severe disability or lethargy is equivalent (says the Bank) to 1.3m people failing to turn up to work each year.

Yet the solutions are both simple and cheap. Doses of vitamin A and iron can easily be given in capsules. (Studies of vitamin-A programmes in Indonesia and the Philip-

pires showed that a supply of capsules cost 50 cents per person per year.) And a whole range of foods—including salt, bread, sugar, water and rice—can be fortified with micronutrients before they are distributed. Nor is it always necessary to add the micronutrients directly to people's food. In parts of Mali, for example, iodine deficiency has been reduced by lacing the local wells with cylinders which release the element.

None of this is particularly surprising. The fortification of foods in rich countries helped wipe out a host of diseases long ago. Early this century, for example, margarine enriched with vitamin D eliminated rickets from much of Europe. In America, flour with added iron led to steep falls in anaemia.

The World Bank reckons that poor countries today could wipe out micronutrient deficiencies at a cost of 0.3% of their GDP. It would be a good bargain—the cost of illnesses caused by these deficiencies is estimated at 5% of GDP. The trouble is that governments in many countries are still not fully aware of the importance of micronutrients. And others, who are aware, prefer to spend their money on things like food subsidies, which benefit wealthy people as well as the hungry. Even the cheapest technological fixes will fix nothing without a bit of political will.

Small farms, big portions

BETTER use of modern farming technologies, such as fertilisers and genetically-engineered crops, would go some way to reducing hunger. But it is the misappliance of a science (the dismal one of economics), rather than a lack of technology, that has done most to victimise the world's 800m hungry people.

A growing body of evidence suggests that governments in many developing countries, often egged on by "experts" from the rich world, have discriminated against their farmers, with disastrous results. A five-volume World Bank study* of 18 developing countries during 1960-85, for example, found that farmers had been penalised in a host of ways.

Their ability to trade had been harmed by overvalued exchange rates and export quotas. They had been forced to sell produce to state-run food monopolies at artificially low prices. Protection of domestic manufacturers, meanwhile, forced up the price paid by farmers for various necessities and reduced their purchasing power as consumers. The net effect of such policies was a huge transfer of income out of agriculture—equivalent to 46% of the countries' agricultural GDP

each year, according to the study.

These policies seemed sensible at the time. Often encouraged by western and Soviet experts in the 1950s and 1960s, governments in developing countries attempted to force the pace of industrialisation by taxing agriculture—which was thought to be unresponsive to price changes—and using the proceeds to subsidise manufacturing. The idea was that the rural poor would migrate to the cities, providing cheap labour for industry, while a small number of large, mechanised farms would grow the food. This notion was politically convenient. Urban elites were happy that food prices were artificially low. And rich, influential farmers benefited most from the subsidies that were paid for new-fangled farming technologies, such as irrigation and fertilisers.

But economically, such policies were flawed. Farmers, it turns out, are very responsive to price changes. Large, mechanised farms are not necessarily more efficient. Given the right incentives, small farms using family labour can be as pro-

*The Political Economy of Agricultural Pricing Policy. Johns Hopkins University Press, 1992.

ductive as large ones. In China, whose farm sector has grown by 6% each year for over a decade, the average farm is a mere half a hectare in size. The World Bank study found that the less countries discriminated against agriculture, the higher their rates of growth, both in agriculture and across the economy as a whole.

Some aid experts today would accept that conclusion, but still argue that something special needs to be done for the 800m poorest. The reason, they claim, is that pro-growth policies encourage only cash-based market systems to develop and hence leave behind subsistence peasants who are outside the cash economy.

But if the World Bank is right, reducing the bias against agriculture is also the best way to attack the problems of the hungry poor. Higher returns on agriculture should lead to more rural jobs, which puts money in the pockets of the hungry. Moreover, farmers often invest their agricultural surplus in craft industries in the countryside, providing jobs for the landless. It is no coincidence that the number of undernourished people has fallen fastest over the past 20 years in East Asia, the part of the world that has most consistently pursued such pro-growth policies. If only the "experts" had known then what they know now.

THE PRESIDENT HAS SEEN

THE ECONOMIST NOVEMBER 23RD 1996

THE WHITE HOUSE
WASHINGTON

DATE: 11/29/96

NOTE FOR: Secretary Henry Cisneros

The President has reviewed the attached, and it is forwarded to you
for your:

Information ☒

Action ☐

The Honorable Henry Cisneros
Secretary of Housing and
Urban Development

VIA SPECIAL MESSENGER

Thank you.

Staff Secretary
(x6-2702)

cc:



11-29-96
PRESIDENT HAS BEEN

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

November 25, 1996

MEMORANDUM FOR: The President

THROUGH: Leon Panetta, Chief of Staff

FROM: Henry G. Cisneros

SUBJECT: Federal Response to the Civil Disturbances
in St. Petersburg, FL

On Monday, November 18, Mayor David Fischer met with Chief of Staff Leon Panetta to request federal involvement in a redevelopment effort for St. Petersburg. The Chief of Staff asked me to coordinate the federal response and my first step has been to visit St. Petersburg over the last weekend. During that time, I met with municipal leaders, civil rights leaders, neighborhood associations, public housing residents, clergy, law enforcement officials, youth representatives and potential employers (see attached itinerary which includes a partial listing of meeting participants).

It became clear from these discussions that there are long-simmering tensions which have characterized the history of race relations in St. Petersburg. The clearest evidence of continuing disaffection is the virtually unanimous view of the African-American community of mistreatment at the hands of the St. Petersburg Police Department. African-Americans of all income and professional groups describe personal encounters with the police and harbor resentments which lead me to conclude that all other redevelopment efforts will be in vain unless substantial progress is made in redefining police and community relationships.

Beyond the police issues, the community strongly advocates the creation of economic opportunities and the inclusion of African-Americans in every aspect of redevelopment. Job creation, training, educational opportunities, and housing were the focal points of the community's recommendations.

The White House staff facilitated the participation in St. Petersburg this weekend of seven Federal Departments (HUD, DOL, DOC, SBA, EPA, DOJ and ED: a list of the taskforce members is attached) and the result was the drafting of a plan for federal cooperation. The elements of that plan are described below with recommendations for how to coordinate federal efforts with local leaders and how to staff the effort in the weeks and months ahead.

The Federal Task Force plans to reconvene in St. Petersburg for follow-up actions in mid-December.

I. RECOMMENDED FEDERAL ACTIONS

The Federal Task Force recommends the following agency actions to address the problems of St. Petersburg.

SMALL BUSINESS ADMINISTRATION (SBA)

-- **Declaration of Disaster.** SBA will present findings from its recent survey that indicates that a declaration of disaster is warranted for the affected areas. It is expected that SBA Administrator Phil Lader will sign the declaration today and SBA will have a field office in operation tomorrow to provide disaster assistance and loans to homeowners, renters and small businesses.

-- **Local Presence.** SBA will enhance its local presence to develop short and long-term plans to assist locally-owned minority small businesses with financial, management, technical and procurement assistance, as well as counseling on starting and operating a small business. Initiatives include: minority small business pre-qualification loans; small business capital needs forum; a micro-loan program for loans of \$10,000 or less; and identification of minority business procurement opportunities in the private and public sector, as well as franchising opportunities.

SBA will also assist with regional economic development to encourage business expansion, job creation and relocation.

DEPARTMENT OF LABOR (DOL)

-- **Job Center.** On November 4th, the Florida Department of Labor and Employment Security (FDLES) committed \$100,000 to set up a job placement and referral center in the affected areas (located at the Enoch Davis Community Center). To date, FDLES has screened and referred 150 applicants from the area.

Within the next two weeks, the FDLES will move out of Enoch Davis and expand operations into a temporary Employment and Training Business Development Center. Two staff will be dedicated to provide comprehensive direct placement assistance, job training and referral, and business and entrepreneurial development services.

-- **Economic Planning.** FDLES will assist the community in planning to recover from the recent disturbances.

-- **Work Opportunity Tax Credit.** FDLES will market the "work opportunity tax credit" and the DOL-sponsored federal bonding program for the employment of ex-offenders.

-- **Youthbuild.** DOL will commit funds through various grant sources to sustain Youthbuild. DOL will seek to expand the program through its School-to-Work initiative.

-- **The Chronic Unemployed.** DOL will expedite consideration of the FDLES's National Reserve Activities proposal to assist the long-term unemployed in the affected area, with additional resources from FDLES Title III grants.

-- **Job Training.** DOL will assist the Pinellas County Workforce Development Board in exchange and exploration programs with other model programs. FDLES will provide customized recruitment and job readiness training for businesses in the affected area.

ENVIRONMENTAL PROTECTION AGENCY (EPA)

-- **Brownfields.** EPA will commit to award a Brownfields Redevelopment grant for about \$200,000 to the City to provide funds for site assessment, environmental cleanup and economic redevelopment activities.

-- **Job Training.** EPA will commit to award a Job Training grant for about \$200,000 to a local community college or university to train city residents to do environmental assessment and cleanup, lead abatement and asbestos removal. This training will be coordinated with the Departments of Labor, Education and HHS.

-- **Toxic Clean Up.** EPA will conduct targeted site assessment and emergency response support to the city of St. Petersburg in areas where known or suspected hazardous substances contamination has been identified. This represents about \$100,000 in EPA funds.

-- **Urban Environmental Initiative.** EPA will consider designating the city of St. Petersburg as one of four pilot cities for its "Urban Environment Initiative," where EPA will work to remove regulatory impediments to redevelopment, focus on multi-media (air, water, solid waste, etc.) environmental problems, and find innovative solutions to urban environmental problems.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)

-- **Public Housing.** HUD will make available approximately \$5 million towards the revitalization of the Jordan Park public housing development. \$2.5 million will be redirected from Laurel Park unused replacement funds. Another \$2.5 million will come from unreleased proceeds from the sale of public housing units (previously sold by the Housing Authority).

These funds will be made available to facilitate a new plan that is responsive to resident and community concerns for preventing displacement of current residents, generating local jobs and providing other economic opportunities.

Using at least \$250,000 from the Economic Development and Supportive Services program, HUD will also create a Campus of Learners at a public housing development. This will be linked to the National Cities in Schools program, local business employers, and supportive services to assist public housing welfare recipients entering the workforce.

-- **Affordable Housing.** HUD will partner with Habitat For Humanity to build new affordable housing in the distressed areas.

-- **Economic Development.** HUD will "fast track" any applications for Section 108 loan assistance (St. Petersburg is eligible for up to \$12 million) for economic development (e.g. commercial rehabilitation, small business loans), building neighborhood public facilities, and constructing or rebuilding housing. These first loans will be focused on bringing a vehicle restoration facility and a retail shopping complex into the neighborhood.

-- **Technical Assistance.** HUD will provide technical assistance: a) to assess public safety and community policing needs within public housing areas; b) to the Housing Authority to educate them on the resubmission of their HOPE VI public housing application; and c) to the city and neighborhood non-profits to expand or create more affordable housing.

DEPARTMENT OF COMMERCE (DOC)

-- **Declaration of Economic Distress.** DOC'S Economic Development Administration has designated the city of St. Petersburg as eligible for assistance as a community experiencing "sudden and severe economic distress." Under this declaration, the city is eligible for grants in public works, technical assistance, economic adjustment, planning, and funding for revolving loans. Additional assistance may be possible through the Minority Business Development Agency.

DEPARTMENT OF EDUCATION (ED)

-- **Racial Reconciliation.** ED will select St. Petersburg as one of four communities nationwide that will receive training for teachers, parents and school administrators to learn how to prevent and cope with hate violence and promote tolerance among youth. This assistance will be integrated with existing school programs. ED will have representative and technical assistance personnel in St. Petersburg in December.

DEPARTMENT OF JUSTICE (DOJ)

Given the significance of the police-community relations problems, the Justice Department has a special role to play in St. Petersburg.

-- Community Relations Assistance. DOJ will provide technical assistance and training to strengthen community-police relations.

-- Weed and Seed. DOJ will step-up current work with city and community leaders to prepare a "Weed and Seed" application (grant funds can be used for a wide range of law enforcement and community revitalization efforts) and will then expedite application review.

-- Community Relations Review. DOJ will work with the St. Petersburg Police Department to conduct a review of police operations and procedures as well as an overall review of the Department's ongoing relationship with the community at the appropriate time. It is recommended that this review be coordinated with inquiries presently being conducted by the U.S. Civil Rights Commission and the U.S. Attorney.

II. OVERSIGHT OF THE FEDERAL EFFORT

We recommend creating a local advisory board to assist the Federal Task Force. The local advisory board should have the power to approve or veto the recommendations of the Task Force and provide guidance concerning the use of federal funds and assistance targeted to the recovery of St. Petersburg.

The advisory board will help ensure broad-based community input and will be composed of eleven members. Membership will be composed of: five representatives of the Coalition of African-American Leadership; three persons selected by the St. Petersburg Chamber of Commerce; and three selected by the Mayor. It will be co-chaired by one of the five representatives selected by the Coalition and a person designated by the Mayor from among the other six persons selected.

A federal official will be designated to serve as the federal coordinator to ensure the implementation of the Task Force's recommendations and to work with the community and local officials in the coming year. Reginald Turner, the White House Fellow at HUD, will serve as the principal point of contact in the interim period until the federal coordinator assumes the post in St. Petersburg.

Approval of these recommendations will set in motion the following course of action:

A) Follow-up actions to confirm each agency's proposals, and direction to begin implementing them in St. Petersburg.

direction to begin implementing them in St. Petersburg.

B) Notice to St. Petersburg officials that the preliminary recommendations the Federal Task Force made are on track and that the local advisory board should be constituted.

C) I would recommend, Mr. President, that you announce this package of actions by satellite hook-up and direct the Federal departments to proceed. This could be done Wednesday, Friday, Saturday, or next week. An audience of community leaders can be assembled in St. Petersburg to hear the President's message.

Attachments

cc: Kitty Higgins
Marcia Hale
Alexis Herman

11.29.96

THE WHITE HOUSE
WASHINGTON

November 27, 1996

MEMORANDUM FOR LEON PANETTA AND ERSKINE BOWLES

FROM: DON BAER AND RAHM EMANUEL

SUBJECT: DECEMBER MESSAGE SCHEDULE

The purpose of this memorandum is to offer recommendations for a December message schedule that will show continuity between the themes of the campaign -- in particular, the President's leadership toward the vital center and emphasis on values issues -- and the build-up to the Inaugural and the State of the Union.

I. MESSAGE PRINCIPLES FOR DECEMBER

1. **Continuity:** We should emphasize the link between the themes of the campaign (especially values themes) and those the President will stress in the 1997 follow-through.
2. **Action:** We should get back to demonstrating results and taking strong executive actions (including both personnel announcements and presidential directives) to show that the President is moving forward on the country's challenges.
3. **Focus:** We should keep the President's schedule relatively spare, to make the actions he does take stand out. We need to keep in mind that this is the holiday season, and less is still more.
4. **Emphasize children/families:** The holidays and the President's focus call for a particular emphasis on children and families.

II. PROPOSED MESSAGE EVENTS

Priority Events*(* Children/families event)*

DLC Speech: Precursor to Inaugural/SOTU and important and firm signal of the President's centrist direction (Dec. 11). (We will send forward a proposed set of themes

next week.)

- * TV Ratings meeting to announce new system (possible date: Dec. 19).
- * Anti-narcotics council meeting (McCaffrey), with regulations on parolee/prisoner drug testing ready for release (possible date: Dec. 12).
- * Adoption event: executive order to promote adoption of children in foster care (possible date: Dec. 5).

Announcement of members of the task force on health care quality (not now scheduled, but likely to draw attention sometime during the month).

Jobs numbers/President presents Baldrige Awards (Dec. 6).

Radio Addresses to be used for specific executive actions. Options now include:

- * • Nationwide early-warning food safety system (Dec. 7 or 14);
- * • Treasury report on curbing "fly-by-night" gun dealers (Dec. 7 or 14);
- Deployment of new immigration resources under Immigration Bill (Dec. 7 or 14);
- * • Radio Address on Literacy as part of "Night Before Christmas" reading. Bring in group of children from D.C. reading program that is doing good job (to help show renewed interest in D.C. issues), plus highlight Dec. 23 nationwide reading bus tour event (organized by "Reading is Fundamental"). Arrange link-up by President into Dec. 23 event, which airs during break in Monday Night Football (Dec. 20/21).

Other Important Options

The following would help to strengthen the President's schedule on important policy fronts, if we decide the schedule can bear it:

Welfare-to-work meeting with a very small group of CEO's. (Possible date: Dec 9/10, just before DLC speech. Gene Sperling and Bruce Reed are exploring possibilities.)

Announce date of NATO expansion summit, now slated to be announced by State Department (possible date: Dec. 10).

Pre-Christmas visit to troops, including large group returned from Bosnia, probably at Fort Bragg.

Agree but must be consistent w/ KC City / Stanford event BG

Agree

→ not sure

Other foreign policy matters could demand attention, including the EU Summit and Middle East issues.

Press Interviews

The following recommendations from Mike McCurry's press plan put the President in a thoughtful and reflective light consistent with the above:

- ✓ C-SPAN's BookNotes with Brian Lamb, to discuss the President's book and his interest in books and reading (taped for airing either Dec. 15 or Dec. 22).
- ✓ People Magazine interview for year-end issue on "25 Most Intriguing People of the Year."
- ✓ Ron Brownstein interview in late-December to launch his new syndicated column in January; an opportunity to advance Inaugural themes.

A handwritten signature, possibly "G. W. B.", in dark ink.

December 1996

Monthly Planner

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday																																																																																				
1	2	3	4	5 Adoption event	6 Jobs Numbers/ Baldrige Awards	7 Radio Address -- executive action (taped Friday)																																																																																				
8 BookNotes Taping	9 Welfare-to-Work Meet- ing (option)	10 NATO expansion announcement (option)	11 DLC Speech	12 Anti-Narcotics meet- ing (executive action)	13	14 Radio Address (executive action)																																																																																				
15	16 EU Meeting	17	18	19 TV Ratings Meeting	20	21 Radio Address -- read- ing (taped Friday)																																																																																				
22	23 Troop visit (option)	24	25	26	27	28																																																																																				
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THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN

11-29-96

November 22, 1996

Memorandum for the President

From : Mike McCurry *MMc*
Press Secretary

Subject : Press Plan for December

'96 NOV 25 PM4:38

The following proposed press plan for the month of December has two primary goals: 1. to take advantage of the holiday/year-end period by putting you in thoughtful, reflective interview situations and provide you with the opportunity to discuss family values and what you want to do to continue improving the lives of American families; and 2. begin a series of informal conversations with reporters to enhance your relationship with the press corps.

Goal One:

We are recommending that you do two tv appearances and three print interviews that will allow you to reflect on 1996 and look ahead to 1997. For the past year, the American people have seen you through the filter of a campaign. These interviews will begin the process of providing the American people with a greater understanding of YOU as President, father and husband, not just you as the President campaigning.

OK
* **"Booknotes" interview on C-Span:** This one hour interview on C-Span's Sunday evening show, "Booknotes", will be devoted to the issues you raised in your book. It will also give you the opportunity to share with viewers your devotion to reading and the types of books you enjoy. We would like to have it taped the week of December 8 to air on December 15 in time for the holidays. C-Span would air it repeatedly and spend generous resources on promotion.

A transcript would also be released that will be useful to reporters writing their year end pieces.

OK
* **People Magazine** - We would like to offer People Magazine their annual year-end interview with you. The Year End issue, in which they name the 25 Most Intriguing People of the past year, is on the news stands for two weeks and reaches about 35 million people. The interview with you would lead off this special double issue and traditionally mixes substance with personal reflections.

* **ABC Town Hall with Kids** - This town hall with kids, moderated by Peter Jennings, allows you to talk about family values issues with a friendly audience in a favorable format. The kids town halls that you have done in the past have been quite successful. The holiday season would be a good time to talk with kids about their concerns and hopes for the future.

The following two interviews need to be done in December, but will not run until January:

OU
* **Interview with Ron Brownstein** - Brownstein will have a syndicated column in January. The proposal is to have his premier column feature an interview with you on what the new year holds for you and the country.

What about other friendly columns?
Let's tell you the details
ET, the other

U
* **Interview with David Osbourne and John Harris Jr. for the Washington Post Magazine** - Osbourne's interview would be an excellent format for previewing your Inaugural Address because it will be published on the eve of the Inaugural, January 19. It needs to be completed in December because of the magazine's production cycle.

The interview will focus on what you mean by the phrase "building a bridge to the 21st century." David feels that the issues got lost in the campaign and this interview will put substance behind the phrase. It would run in an edited Q and A format.

Harris and the Post have requested some opportunity for you to reflect on 1996 and the agenda ahead, especially foreign policy, in part to answer the exclusive given to the New York Times.

Goal Two:

* To renew your relationship with the press, we are proposing that you dedicate one hour each week for informal conversations either one-on-one or in small groups over coffee or lunch. Proposed reporters/editors include: Ron Brownstein, Jerry Seib, Len Downie, Jonathan Alter, E.J. Dionne, and perhaps David Maraniss.

OU

* The drop-by you did at the post-election day press party gave the press corps the opportunity to see you in a relaxed atmosphere and also observe you interacting with your staff. We propose that you do another drop-by at the going away party on December 20 for Bob Ellison of American Urban Radio Network. The press are also looking forward to the Holiday parties.

OU

* **Network White House correspondents** - There is a good possibility that most of the television networks will be replacing their current White House correspondents. You should meet with the new correspondents and, perhaps, their bureau chiefs for informal conversation over coffee.

OU

THE WHITE HOUSE
WASHINGTON

11-29-96

November 27, 1996

Mr. President:

I was holding Erskine's original
note to you of November 19 until
you returned from your trip.

Phil Caplan

THE WHITE HOUSE
WASHINGTON

November 25, 1996

MEMORANDUM TO THE PRESIDENT

'96 NOV 27 PM 1:02

FROM: ERSKINE BOWLES *EB*
RE: POSSIBLE MEETING WITH JESSE JACKSON

As I indicated in my earlier note on Harold's memorandum (attached), Jesse Jackson is anxious to meet with you to discuss several Administration opportunities. He has since followed up on our meeting with a telephone call from Brazil.

Do you want to meet with him? If so, we will ensure that it is a scheduling priority for the week of December 2.

cc: Harold Ickes
Stephanie Street/Ann Hawley

*Yes - I'd like to meet
with him - later in week when
I have my voice back -
BC*

12 November 1996

'96 NOV 19 PM3:26

MEMORANDUM TO THE PRESIDENT

CC: Leon Panetta
Alexis Herman
Erskine Bowles

From: Harold Ickes (H)

Re: Jesse Jackson

Mr. President - I too
met with Rev. Jackson as
did the VP - Do you want
to schedule a visit? If you
meet with him he will ask
for the international troubleshooter
role & to be involved in
domestic policy. *Chen*

On 8 November, at his request, I met with Jesse Jackson. *Chen*

He wants a one on one meeting with you at your earliest convenience. He feels that he has been kept at arms length during the election, which he says he understands, but he feels he has been extraordinarily supportive of your Presidency and re-election and would like to discuss his future.

For himself, he is particularly interested in the position of U.N. Representative, assuming that Madeline Albright resigns or goes elsewhere. In the alternative, he is also interested in being the trouble shooter for the Administration for which he said he made a pitch, but which went to Bill Richardson.

Let me know how you want to proceed.

THE WHITE HC
WASHINGTON

- I think his good
'is unusually open
should begin in
mind - Doc

November 27, 1996

cc: with incoming:
Erskine Bowles
Leon Panetta
Ruth Englin to V

The Honorable Steven S. Honigman
General Counsel of the Navy
Washington, D.C. 20350-1000

Dear Steve:

Thanks for letting me know about your interest in staying on as Counsel of the Navy or in serving in a different capacity at the Department of Defense. As you well know, I very much appreciate all the fine work you're doing for us there. As far as any changes that are to be made, I've passed your letter on to Erskine Bowles so that he, too, is aware of your desire to continue serving the Administration.

Hillary sends her best.

Sincerely,

Bin



GENERAL COUNSEL OF THE NAVY
WASHINGTON, D.C. 20350-1000

November 15, 1996

President William J. Clinton
The White House
1600 Pennsylvania Avenue
Washington, DC 20350-2000

Dear Mr. President,

As you consider transition matters, I want to thank you for the opportunity you have given me to serve during your first term. I would very much like to continue my service, either in my current position or in any other capacity you may think appropriate. In that regard, I believe that I could serve effectively as the Under Secretary of the Navy if that position becomes vacant. In addition to Secretary Dalton, the Chief of Naval Operations and the Commandant of the Marine Corps, assessments of my performance can be provided by Judy Miller, DOD General Counsel; Jamie Gorelick, Frank Hunger, Alan Bersin and Lois Schiffer of the Department of Justice; Tom Grumbly, Under Secretary of Energy; Terry Garcia, General Counsel of NOAA; retired Admiral Bruce DeMars, former Director of the Naval Nuclear Propulsion Program, and retired General Richard Hearney, former Assistant Commandant of the Marine Corps.

With best regards.

Very Respectfully,

A handwritten signature in black ink, appearing to be "S. Honigman", is written below the "Very Respectfully," text.

Steven S. Honigman

THE WHITE HOUSE
WASHINGTON

*Need to write
Rosalie too*

November 27, 1996

11/29/96

*Mamie
Lewis*

Leon J. Thompson
68 Mountain View Drive
Swanton, Vermont 05488

Dear Leon:

Thank you for sending a copy of your article about Rosalie Lepeltier. I really enjoyed it and was grateful for the memories it stirred. Rosalie is a wonderful person, and it's been much too long since the last time we saw each other.

I'm glad you shared the article with me -- you are off to a fine beginning with the *St. Albans Messenger*.

Sincerely,

Bill Clinton

Leon Thompson
68 Mountain View Drive
Swanton, VT 05488

LTJ

96 NOV 15 PM 4:32

M 74

Mr. William Jefferson Clinton
President of the United States of America
The White House
1600 Pennsylvania Avenue NW
Washington DC 20500-0003

October 28, 1996

Mr. President:

I am a 22-year old staff writer for the "St. Albans Messenger," a daily newspaper located in the heart of a Northwestern Vermont town. In my sixth week on the job, I encountered a woman who had an incredible story to tell.

The name Rosalie Lepeltier is familiar to you, I'm sure, and she was willing to share a memory that is special to her: the night you escorted her to the Hot Springs High School Debutante Ball of 1964.

As you can see from the enclosed story, Rosalie has neglected to see you as solely the Commander in Chief. She has taken it upon herself to treat that one night in 1964 as a special event and still remember you as, in her own words, "Billy Clinton."

In reading this story, you will also notice that Rosalie lives a stereotypical Vermont life; her country home is filled with morality and intelligence, two virtues she has surely passed along to all seven of her children.

For Rosalie, sharing her story with me gave her the chance to unbury a cherished memory in a modest way. As the story says, she would love to reunite with you one more time, and the song she wrote on that first inaugural night back in 1993 is wonderful; you should hear it yourself.

For myself, speaking with Rosalie gave me the opportunity to look at you and your position in a new light.

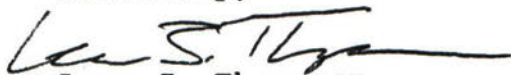
While a number of journalists have tainted our reputation by blowing you and your life out of proportion, I was fortunate enough to indirectly experience you in a manner that allows me to now view you as the same blood-pumping human being that I am. If I were to meet you, I would see more than the President of the United States, and I owe that to Rosalie Lepeltier.

I understand that you are running on a hectic schedule right now, Mr. President, but I thought you may enjoy reading about an old friend in any spare moment you may have. So enjoy the story and know that Rosalie and I are thinking of you.

If you wish to respond, please write to the return address I have provided at the opening of this letter.

Take care of yourself, and breathe after the election.

Sincerely,


Leon J. Thompson

2
11/7 Lewis
October 28, 1996

Dear White House Staff Member:

I understand that President Clinton is overwhelmed in his schedule with the eminence of the election.

However, I would greatly appreciate it if the enclosed letter and newspaper article were passed on to him in the near future. I believe he would find pleasure in reading about an old friend of his.

Send any response to:

Leon Thompson
68 Mountain View Drive
Swanton, VT 06488

I thank you for your cooperation.

Sincerely,


Leon J. Thompson
Swanton, VT

Messenger

Vol. 133 No. 248 (USPS) (5133-8000)

50 cents

A date with Bill Clinton

An East Fairfield woman's one-of-a-kind memoirs

By LEON THOMPSON
Messenger Staff Writer

EAST FAIRFIELD—"I don't even really remember that night. He knew me, I knew him, and he wanted to do it. It was a nice occasion."

The "he" in this case is William Jefferson Clinton. That "night" was 32 years ago.

Today, Rosalie Lepeltier sits at her kitchen table, the old yearbooks from Hot Springs High School laid out before her. As she talks, the memories of that night so long ago—her date to a debutante ball with the young man who would become president—slowly return.

Lepeltier is wearing blue overalls, a uniform one might expect of someone who makes clay smoking pipes for a living. That's something she has done since 1977.

Her life in this small rural town could not be more different than that of Bill Clinton. Their lives have taken radically different paths from their roots in the rural South.

Lepeltier doesn't follow politics. She doesn't watch television; the set is unhooked. She doesn't buy newspapers, and she has no desire to comment on any of Clinton's achievements or the alleged scandals that have dogged him over the years—Gennifer Flowers, the Whitewater investigation, Paula Jones.

The tall, slender woman lives in a house with a view of



JOHN THOMPSON, Messenger Staff

(Right) Now an East Fairfield resident, Rosalie Lepeltier poses with her recognizable escort to the 1964 Hot Springs Debutante Ball. (Above) Lepeltier looks through a high school yearbook with her son Vincent.

Stone's Sunoco out the living room window. She has difficulty drawing the line between Bill

Clinton, president of the United States, and Bill Clinton, the member of the drama club who escorted her to the Hot Springs Debutante Ball.

"I always see him as the person I knew," she says. "I

acknowledge his rise to power, but Billy Clinton will always be Billy Clinton."

She would love to see Billy again one day.

"I would like to see him on an informal, personal level," Lepeltier

says of Clinton. "I'd ask him, 'Where's your soul?'"

A native of Louisiana who

grew up in Hot Springs, Arkansas, a "bicycle ride" from Hope, Clinton's hometown, Lepeltier was one year behind Clinton while attending Hot Springs High School.

As she looks through her Hot Springs Trojans yearbooks, pointing out Clinton's picture in every other club photo on every other page, she remembers an active, involved, warm and sincere teenager who stood out in his class of about 400.

"He was very, very active, and into politics right from the beginning," Lepeltier says. "He excelled at anything he did and was an ambitious high achiever. He was well-liked and popular, too. He was cut out for the eventual job he got. Well, at least the campaigning."

Clinton's face is everywhere throughout his 1964 senior yearbook, a foreshadowing of what newspaper and magazine covers would be like in the U.S. some 30 years later.

There's the president in his band major uniform with a caption that reads "Billy Clinton."

There he is again, wailing away on an alto saxophone in a group shot of the Trojan jazz band, The Stardusters.

And, yes, there he is one more time, in what would become a much-publicized photo, shaking hands with President John F. Kennedy at the White House.

Clinton did not sign Lepeltier's yearbook, but she has a photo of herself and

see CLINTON DATE on the back page



Clinton date: *continued from the front page*

Clinton — a future Vermonter and a future political giant — dressed to the nines at the Hot Springs Debutante Ball.

In 1964 Clinton was attending Georgetown University in Washington, D.C. and was home for the holidays. Lepeltier decided she wanted to attend the ball, a Christmas formal sponsored by her high school. It was held at an elegant hotel.

A member of numerous clubs herself, she had known Clinton by association. Going against all traditions of the day, she asked him, and he accepted without hesitation.

"It was like a fairy tale experience," she says of that night.

"The ballroom was more impressive than the escort, but I couldn't have chosen a better person, could I?"

As tradition dictated, her father escorted her to the ball and gave her hand to Clinton. Clinton was a good formal dancer, she recalls. However, the conversation that evening was limited.

"There wasn't a lot of talking," she says. The music was too loud.

Lepeltier says she had no amorous feelings for Clinton.

"There was no boyfriend/girlfriend thing," she says, shaking her head. She emphasizes that Clinton was a complete gentleman who really didn't date frequently in high school. "He wasn't a ladies' man," she says, as if proud to destroy a current stereotype.

Lepeltier treats the night and her date with a future president with the utmost modesty. She refuses to live in the past or treat that one evening as the basis of who she was, or who she has become.

"This was an interesting vestige of the past that has nothing to do with my present or future. I don't want a lot of nosey people interfering in my private life or blowing this out of proportion," she says, staring into the candle aflame on her kitchen

table. "What bothers me the most is that this is nothing big, and people will try to make it out that way."

All seven of her children understand their mother's feelings about her date with Bill Clinton.

"I don't care," says her son Vincent, 9, on his mom's date with the president. "It doesn't interest me that much."

As Vincent plays with the family's dog, Lepeltier reflects on a different part of her life, the eight years spent in Paris with her former husband and her children. She remembers it as being anything but the "City of Love."

"That was a hard life," she recalls. "You have to conform more there. It is limited and small minded."

She and her family chose Vermont over Paris and over Arkansas, because her father was born in Groton and had owned land here for years.

Lepeltier and her husband divorced in 1994.

While residing in Paris she did hear from an old high school buddy who was attending Oxford University.

"It was about 1970," Lepeltier says of the reunion between herself and Clinton. "He just came into my home and visited with my family."

Lepeltier searches for a couple of letters buried somewhere in the Clinton memory pile one her table. As Vincent walks the dog through the house on a leash, she jumps ahead 22 years in her story.

In 1992, the governor of Arkansas was about to become the next president of the United States. Steadfastly campaigning across the country, one of his stops that September was in Burlington. Lepeltier decided to attend the rally with a couple of her children.

She never got to speak with Clinton that day and decided to write him a letter explaining her attempt at one more reunion.

"I wanted you to know that I wanted to find the man I once knew behind that picture-perfect image," she reads from her letter — a document reproduced on spiral notebook paper and written in blue ink.

She received an almost immediate response — a typed letter on Clinton/Gore Campaign stationery. On the right hand corner of the letter is a hand-written note.

"I am so sorry I missed you," wrote Clinton. "Please forgive

me. I would love to see you and your family. My memories too are so good and I would never have been elected without the help of my old and true friends. Bill."

Lepeltier was invited to the Inaugural Ball, an entirely different formal occasion than the one she shared with Clinton in 1964. But she declined the invitation.

"People are crazed when they are presented with the opportunity to rub elbows with a higher power," she says, adding that she sympathizes with her old friend for the position in which he finds himself.

"I think the whole man must be lost in it all," she says quietly, her hand resting on her yearbook.

And what about that question she would ask the president: "Where's your soul?"

Where is Rosalie Lepeltier's soul?

"My soul is tucked right in the heart of Jesus," she says.

Her soul's home is the object of a song she wrote the night of Clinton's inaugural ball. Titled "May Your Will Be Done," the first lyric serves as a prayer from Lepeltier for her old friend: "May your will be done on earth as it is in heaven. May the spirit of the lord march across the troubled land."

"I would love the opportunity to sing it to him," she says softly.

But what about Hillary Clinton?

"I'm glad I'm not she, and I don't think I'd get along too well with her," she says with a slight rise of her voice. "Of the two of them, I like Bill a lot more. He's warmer than her, but there must be a side of him that matches her."

Despite her disinterest in politics, Lepeltier does plan to vote, but for which candidate?

"I understand that America has a secret ballot policy," she says, her answer evolving into laughter.

"That's personal."

Orange Count

By ROSS SNEYD
Associated Press Writer

RANDOLPH, Vt. (AP) — It's 5:45 a.m. The rain has stopped, but the fog persists on

Vacancies: *from page one*

the time commitment the job entails, Gonnella-French said.

"No one is certain yet they can afford that amount of time," she said.

There is also a reluctance to actively campaign for the positions, Gonnella-French said.

However, some possible candidates have told her they would be willing to offer themselves for appointment, she said.

There is a sentiment of apathy to be found in the community; there is a core of people in the community who get involved but many more who do not, she said.

"I don't think it's just with school board issues," she said. "It seems like people just don't want to go out and get involved period."

Filling vacancies on the school board is frequently a difficult task, Superintendent of Schools Larry Ross said.

In his time as superintendent, he cannot recall any slot being contested, he said.

"It's a no-win situation generally as far as the public is concerned," he said. "No matter what the board's decision, someone is generally disappointed."

The flip-side of the issue is that being a board member is an important way for an individual to contribute to the success of the school, Ross said.

"The reality is the education of young people is a difficult job, but we need to emphasize that there are positive parts to being a board member," he said. "You can make a difference by influencing the direction of the school."

Correction

In a St. Albans Chamber of Commerce article on page 6 Tuesday the setting for a Chamber mixer was listed incorrectly. The December mixer will be held at the Comfort Inn,

THE WEATHER

TONIGHT: Mostly clear. Low 35 to 40.

TOMORROW: Saturday, mostly sunny and milder. High 55 to 65.

REST OF THE WEEK: Sunday, partly cloudy. Lows in the 30s. Highs in the upper 50s to mid 60s. Monday, partly cloudy with chance of a shower. Lows in the 40s. Highs low in the 50s. Tuesday, partly cloudy with chance of a shower. Lows in the 30s. Highs 45 to 50.

OBITUARIES**CLEMENT E. HURTEAU, JR.**

A Mass of Christian Burial was celebrated for Mr. Clement E. Hurteau, Jr., Monday in Holy Angels Church. Father W. Andre Houle, a close family brother-in-law, and pastor of St. Peter's Church in Rutland, was the celebrant. Altar servers were James Brouillette and George Swann. Offertory gifts were presented by Clem's children Shawn, Michael and Jennifer Hurteau. Readings were offered by Clem's sister-in-law Linda Johnston and brother-in-law Thomas Baxter. Music was by organist and soloist Claire Hungerford. A guard of honor was present from the St. Albans Town Firefighters and Rescue Squad and from the Catholic Daughters of the Americas, Court St. Mary. In attendance at the church was the Ladies of St. Anne, St. Albans City Fire Department, St. Albans Town and City Clerk's Offices, Holiday House Nursing Home, Rocheleau Appraisal Service and the Vermont National Guard, 186th Battalion of Winooski. The bearers were David Brady, Lawrence Cherrier, John Geary, Albert Houle, Douglas Johnston, Roy Parah Jr., Randy Swann and Kelly Westcom. The funeral cortege was escorted to Mt.

Calvary Cemetery by the St. Albans Town Rescue Unit where prayers of committal were offered by Father Houle. The Vermont National Guard held a Military Salute to their fallen comrade. The honor guard was under the direction of O.I.C. Capt. Robert Bates with firing squad members 1st Sgt. Don Gauthier, SFC Kevin Dailey, SSG Dan Landry, SSG Dominic Delia, SSG Peter Viau, SSG Dan Bashaw, Sgt. David Brown and the bugler SSG Michael McGovern. Following the Salute and Taps, Captain Bates presented the American flag from the veterans casket to Clem's wife Carolyn Hurteau. Interment followed in the Hurteau family lot. Sunday evening the Catholic Daughters of the Americas, with their chaplain, Father Bernard Bechard, S.S.E. held a rosary and Christian Wake Service with the family and friends in the Brady & Levesque Funeral Home.

ELLIS L. (JAKE) McKNIGHT
Ellis L. (Jake) McKnight, 81, passed away Sunday night, October 20, 1996 at his home in Pennsylvania. A complete obituary will follow at a later date.

**THE CROSSROADS**

MDA — where help and hope meet.

THE WHITE HO
WASHINGTON

20
She'd be very
good -

November 27, 1996

cc: with inclosing:
Evelyn Wilkerson
Bonnie Lindsey
Bob Nash

Meredith Cabe
415 Colonial Court
Little Rock, Arkansas 72205

Dear Meredith:

I was so glad to receive your note and to hear that you're interested in working in the Counsel's Office next year. I've made Bob Nash aware of your desire to return -- you certainly have a great deal to offer.

Have a wonderful Thanksgiving and be sure to give your mom a hug for me.

Sincerely,

Bin

October 30, 1996

President Bill Clinton
The White House
Washington, DC 20500

Dear Bill,

I am writing to let you know that I would very much like to come work in the Counsel's office. At the moment I am two months into my clerkship with Richard Arnold, and am feeling quite lucky to be learning from such an impressive person. It's also nice to be home in Little Rock for a while.

I'll be coming to Washington next summer, however, when my clerkship ends and I get (yikes) married. I think that now that I am a "real lawyer" who is fortunate enough to have spent lots of time in political offices (all yours, pretty much) and to have interned in the Counsel's office I have something to contribute.

My resumé is enclosed for your information; I will send one to Jack Quinn directly as well.

Thanks for reading! I look forward to seeing you sometime soon.

Sincerely,



Meredith Cabe

P.S. Ich würde dir Glück für Dienstag wünschen, aber es scheint, daß du es nicht brauchst. Vielleicht sehe ich dich hier beim Feiern!

MEREDITH E. CABE

415 Colonial Court
Little Rock, AR 72205
(501) 663-0202

EDUCATION

Stanford Law School, Stanford, CA
J.D., June 1996

Activities: Associate Editor, *Stanford Law Review*
Co-chair, Women of Stanford Law
Student Advising Fellow
Stanford Public Interest Law Foundation

Amherst College, Amherst, MA

B.A., *Magna Cum Laude*, Political Science, May 1990

Activities: Student Member, faculty search committees
Founding Member, Women Writing on Women thesis resource group
Area Coordinator, Alumni/ae Outreach Program

Ruprecht-Karls Universität, Heidelberg, Germany, January-August 1989

ADMITTED TO PRACTICE

Arkansas Supreme Court Bar
U.S. Court of Appeals for the Eighth Circuit Bar

LEGAL EXPERIENCE

Chief Judge Richard Arnold, Little Rock, AR, 1996-1997 Term

Law Clerk to Chief Judge of the U.S. Court of Appeals for the Eighth Circuit. Brief judge on cases coming before the Court. Draft opinions.

Employment Law Center, San Francisco, CA, Fall 1995

Extern. Drafted memoranda on legal issues relating primarily to discrimination based on English language proficiency in employment and contract settings.

Swidler & Berlin, Washington, DC, Summer 1995

Summer Associate. Drafted memoranda on legal issues including the National Environmental Protection Act, First Amendment implications of certain U.S. Postal Service regulations, and whether an estate has a protectable right of publicity in the decedent's likeness. Attended Congressional hearings and briefed attorneys on proceedings.

The White House, Washington, DC, Summer 1994

Summer law clerk, Office of the White House Counsel. Drafted memoranda and briefed attorneys on a variety of legal issues, including constitutional law, presidential powers, and the Privacy Act. Reviewed legislative proposals from other federal offices.

Perkins Coie, Washington, DC, Summer 1994

Summer Associate. Drafted memoranda on legal issues including agreements made by Indian tribes under the Indian Gaming Regulatory Act, the defense of entrapment by estoppel, and intoxication as assumption of the risk in products liability actions.

**OTHER
EXPERIENCE**

Wordsworth Booksellers, Little Rock, AR, November 1992-August 1993

Bookseller. Ordered and maintained inventory. Responsible for reading current releases and reviews and for recommending titles to individuals and to book clubs.

Clinton for President, Little Rock, AR, Fall 1992

Planned and scheduled campaign events, including "bus trips" following Democratic National Convention.

Great American Media / Greer, Margolis, Mitchell, Washington, DC, April 1991-June 1992

Assistant to Executive Director of media firm for Clinton for President. Kept in daily contact with Clinton campaign state directors and press secretaries. Developed long-range media plans. Coordinated writers, translators, and producers of Spanish language commercials. Oversaw release of campaign commercials to the press. Regularly fielded press inquiries.

1991 Clinton Inaugural Committee, Little Rock, AR, November 1990-February 1991

Oversaw three-member staff which managed finances, computerized recordkeeping, invitation lists and tickets for nine Inaugural events. Coordinated committees which planned events.

Clinton for Governor 1990, Little Rock, AR, August-November 1990

Scheduled campaign trips for and travelled with both Governor Clinton and Hillary Rodham Clinton. Organized constituent follow-up.

Office of the Governor, Little Rock, AR, 1984-1989

Worked after school and during college vacations in several different areas, including Scheduling, Appointments to Boards and Commissions, and computer Operations. Drafted correspondence, arranged meetings, advanced events, handled constituent concerns both in writing and over the phone, worked with constituent data base.

LANGUAGES

Fluent in German, proficient in Spanish, working knowledge of French.

References available upon request.

THE PRESIDENT HAS OFFERED
11-29-96

TO
US / COY / B. Reed / NCS
This is another compelling
argument for using the
existing wage subsidies available
for at least 1 year.
BC

SPECIAL ANALYSIS

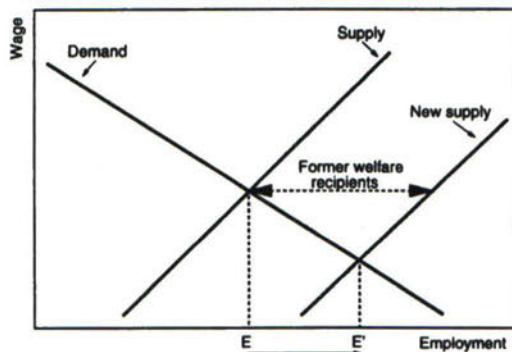
Will There Be Enough Jobs for Welfare Recipients?

An important concern following the enactment of welfare reform is whether those who leave the welfare rolls because of work requirements and time limits will be able to find jobs. Supply and demand analysis suggests many will, but their entry may reduce wages in the less-skilled labor market. Moreover, these jobs are likely to be highly sensitive to cyclical fluctuations.

Impact on jobs and wages. Millions of jobs are created during economic expansions—far more than the number of new job seekers who will be coming off welfare. But welfare recipients have fewer skills than the typical worker and they will have to compete in the more limited market for less-skilled workers.

The main impact of welfare reform will be to increase the number of less-skilled people looking for work at any given wage (an outward shift in the supply curve). Because firms do not find it profitable to hire more workers at the prevailing market

Effect of Welfare Reform on Less-Skilled Labor Market



wage, the wage will have to fall to induce more hiring. But some workers will no longer wish to work at a lower wage. Thus, the net increase in employment will be smaller than the outward shift in the supply curve (see chart).

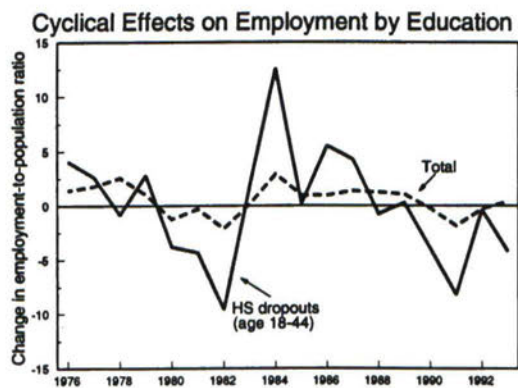
The actual outcome will depend on the slopes of the supply and demand curves. If, for example, employers are very willing to hire more workers when the wage drops just a little (a relatively flat demand curve), most of the new job seekers will be successful and wages will not drop much. But if employers are reluctant to hire more workers even in the face of a substantial lowering of the wage (a relatively steep demand curve), employment will not increase much even as wages fall. The magnitude of the supply response of workers matters as well.

Simulations based on plausible demand and supply curves suggest that if 2 million additional less-skilled, welfare recipients seek work, employment in the less-skilled labor market would increase by over 1 million and wages for less-skilled workers would fall by about 11 percent. Under assumptions that are more optimistic about job growth—but still within an empirically plausible range—employment would increase by 1.8 million and wages would fall by 12 percent.

Cyclical sensitivity of employment. Because roughly half of all welfare recipients are younger high school dropouts, their employment is likely to be highly cyclical, much more so than that of the workforce as a whole. For instance, the share of

*That's why
most
welfare
paym. is
wage-
subsidies*

*most
wage
to do it*



younger high school dropouts with a job fell almost 10 percent in the recessionary years of 1982 and 1991, compared to about 2 percent for the population as a whole (see chart). These employment losses were reversed in the subsequent economic expansions.

Job loss following employment spells as short as 9 months to a year may qualify many of these former welfare recipients

for unemployment insurance. These benefits would reduce some of their income loss but could put additional strains on the unemployment insurance system.

Chron

THE WHITE HOUSE
WASHINGTON

HE President

November 26, 1996

'96 NOV 27 PM1:32

MEMORANDUM FOR THE PRESIDENT

From: Carol H. Rasco *CR*

Subject: Report for November 16 - November 26, 1996

THE PRESIDENT HAS SEEN
11-29-96

UPDATES ON KEY INITIATIVES

WELFARE REFORM IMPLEMENTATION

✓ Technical Corrections to Welfare Reform -- Next week, HHS expects to send to Capitol Hill a package of technical corrections to the welfare law. The law called for such a package to be completed by last week. We have been fairly strict in drawing the line between technical corrections and policy changes, and have excluded from the package technical items with any significant cost.

should be messy open but full
Guidance Completed on Waiver of Food Stamp Work Requirements -- We have reached a decision within the Administration on how to define the circumstances under which we will allow waivers of the new food stamp work requirements due to high unemployment in an area. USDA will issue guidance to states shortly.

agree
✓ Continuation of Transitional Medicaid in Welfare Waivers -- We have also decided that the 26 states with existing or pending welfare waivers which include transitional Medicaid for people leaving welfare for work should be permitted to continue those parts of their waivers if they choose. OMB had raised questions about this because of our policy that waivers must be budget neutral. We will notify states of this decision shortly.

✓ State TANF Plans Certified as Complete -- This week, HHS will certify as complete state TANF plans from Mississippi, Texas, and Kansas. Nebraska is expected to be approved shortly.

✓ Problems with New York and New Jersey State Plans -- HHS is concerned New York and New Jersey submitted state TANF plans that appear to make it clear they do not plan to come into compliance with parts of the welfare reform law for a period of months. When HHS certifies a state plan is complete, it allows a state to receive the higher funding levels under TANF and makes the state subject to all the requirements of TANF, such as work participation rates. Therefore, this raises the question of whether these plans should be certified as complete. We will report on this more fully in the coming weeks.

States Objecting to HHS Plan on Medicaid Eligibility Funds -- Governors Voinovich and Miller may send a letter to HHS objecting to the department's plan to distribute \$500 million authorized by the welfare law. The \$500 million fund is intended to assist states in developing separate eligibility systems for Medicaid since it is no longer linked to welfare. The states want all of these funds to be distributed by formula. HHS proposes -- and we have been supportive of -- a plan whereby at least some of the funds would be used to reward states that do a good job on Medicaid outreach. Various compromises could be fashioned in this area.

Notices to Families with Children at Risk of Losing SSI -- Notices began going out this week to 300,000 families with disabled children on SSI that the children must be reevaluated under the new, stricter standard of disability contained in the welfare law. The Administration still has not released its interpretation of the new statutory definition. This regulation was due on November 22, and over 40,000 new applications are pending because of the delay. However in meetings this week, the Administration has decided that due to large budgetary implications, this definition of disability will be determined in the context of the overall budget strategy.

IMMIGRATION

Annual Commissioner's Conference -- DPC staff attended several days of workshops and presentations covering many of the INS' activities over the past year and planning for the upcoming year at the annual INS' Commissioner's Conference in San Antonio. DPC staff presented the President's message recognizing the work of the men and women of the INS.

Prenatal Care to Illegal Immigrants - DPC staff organized an interagency meeting with representatives from California health clinics regarding California's provision of prenatal care under welfare reform legislation. (The interagency group decided not to write an Administration letter that could be used in the litigation on prenatal care benefits for undocumented women.)

EXTERNAL ACTIVITIES

MEETINGS AND SPEECHES

In Little Rock last week, I visited Catherine's House-- started about two years ago by the management team of the Sisters of Mercy at St. Mary's Academy. Catherine's House is a resource center which integrates and coordinates essential services to young parents and their children. It offers health care, social and parenting skills, support for completion of high schools, quality day care, career counseling, and technical training at their site near Philander Smith College.

Business people have repeatedly told me, and recently told the Governors, that their most critical need is assistance from states and communities to train clients in basic educational skills and life skills (e.g., conflict resolution, GED or higher education, appropriate attire and language, good work habits, etc.). Such training is needed prior to the client showing

up for a job and/or specific skill training. Catherine's House stands as a model for this kind of programming needed in some format in communities across the country.

Chen
THE PRESIDENT HAS BEEN
11-29-96

THE WHITE HOUSE
WASHINGTON

November 27, 1996

'96 NOV 27 PM 6:08

cc [signature]

See note

MEMORANDUM FOR THE PRESIDENT

FROM: KITTY HIGGINS *Kitty*
SUBJECT: Summary of Cabinet Weekly Reports
November 15 - November 29, 1996

DEPARTMENT OF TREASURY

U.S.-China Joint Economic Commission (JEC): On November 18-19, Secretary Rubin co-chaired the ninth session of the JEC with Finance Minister Liu Zhongli. Although not a negotiating session, the meetings yielded some tangible outcomes: 1) China announced plans to achieve current account convertibility by end-1996; 2) China reaffirmed its intent to allow foreign banks to do local currency business and to award new branch licenses for U.S. banks; and 3) China committed to move forward on negotiations for a customs mutual assistance agreement. On the U.S. side, Treasury 1) reaffirmed U.S. support of China's WTO accession on commercially meaningful terms; 2) announced technical cooperation on securities market regulation, tax administration, and fighting financial crime; 3) noted China's efforts to bring its banking system up to international standards; 4) reiterated the Administration's position on human rights, prison labor, the Hong Kong transition, and China's MFN status; and 5) engaged the Chinese in a discussion of the bilateral trade imbalance.

Russia: On November 21, Russia sold \$1 billion in 5-year Eurobonds in the first sovereign offering since 1917. The government sold about twice what they expected, and the terms were surprisingly favorable: the interest rate was 3.45 percentage points above the 5-year U.S. Treasuries (about 9.45 percent total). An IMF team has determined that tax collections appear to have risen somewhat. In early December, the IMF team will return to Moscow and obtain more detailed information.

Financial Modernization: On November 20, Comptroller Ludwig announced regulations that will allow banks to engage in non-traditional banking activities through subsidiaries. Early indications show that Congress has been relatively accepting of this action. However, as expected, Senator D'Amato and Congressman Schumer issued statements criticizing the move, as did the Securities Industry Association and the American Council of Life Insurance.

Line Item Veto: Under the Line Item Veto Act, which takes effect January 1, 1997, the Joint Committee on Taxation (JCT) is responsible for identifying provisions in any bill or joint resolution that constitute "limited tax benefits" subject to your line item veto authority. On November 12, the JCT staff released its draft analysis and recommendations on the principles and procedures to be applied in making such determinations, and invited public comment on the draft guidelines. Treasury is preparing a response to the draft guidelines which is expected to be finalized by the end of the calendar year.

Urban Initiatives: On November 21, Treasury held a planning meeting with representatives from EPA, CDFI, and the White House on the legislative and public liaison steps that need to be taken to facilitate passage of your urban initiative agenda. The group is working to build public support and agreed that a more formal (NEC) process should be convened to organize and shepherd the inter-agency process. On November 27, Treasury held the first in a series of seminars on urban policy.

Historically Black Colleges and Universities (HBCU): On November 25, Treasury provided the Designated Bonding Authority with advisory pricing information for an HBCU loan to Bethune Cookman College in Daytona Beach, FL. The amount of the loan is expected to be \$12.53 million and proceeds will be used to renovate classrooms and build a new student center and male dormitory. Treasury expects to close the loan in mid-December.

Highway Trust Fund: On November 26, Treasury and DOT officials met with the staff of Senators D'Amato, Baucus, Bingaman and Domenici to brief them on legal conclusions regarding Treasury's ability to issue retroactive restatements of the Highway Trust Fund's fiscal statement. Treasury, in conjunction with DOT, preliminarily has concluded that Treasury should re-issue the statements so that the correction of the accounting error (under-reporting of FY94 gas tax receipts) would be reflected in the FY94 final statement. WI, PA, MS, and LA would be disadvantaged by Treasury's proposed action, while NY, WV, AK and MN would benefit by revising the statements. Treasury expects Congress members from disadvantaged states to wage a serious campaign against the possible Treasury ruling. In particular, Congressman Obey has voiced vehement opposition to Treasury's proposed action and has contacted the White House. Treasury has briefed Congressman Obey's staff and has spoken with him directly. Treasury referred the matter to GAO with a requested response date of December 6. Treasury believes that GAO will concur with the legal conclusions. However, it is possible that because of the pressure by Members from "losing" states, GAO's response will be an unambiguous endorsement of our position.

District of Columbia: On November 25, Secretary Rubin met with White House officials to discuss options for significant long-term assistance to DC. On December 2, Treasury officials will meet with DC and Authority officials to discuss a possible Treasury advance of up to \$275 million in mid-December. Treasury is reviewing preliminary information provided by DC which outlines its cash needs, Congressionally authorized expenditures, and market access issues.

Empowerment Zone Employment Credit (EZEC): Last week, the IRS published a proposed regulation that will provide guidance for employers in computing the EZEC. The effect of this guidance is to make this credit more widely available. The EZEC allows an employer to take a tax credit based on a percentage of the wages paid to an employee who, during a specified period, both lives and works in a designated empowerment zone.

Community Development Financial Institutions (CDFI): CDFI Director Moy was recently appointed by FCC Chairman Hundt as a public sector board member of the Telecommunications Development Fund (TCF). TCF was created by the Telecommunications Act of 1996, in part, to promote access to capital for small business in the telecommunications industry by making small loans to or investment in eligible small businesses. The first TCF meeting is on December 3.

DEPARTMENT OF JUSTICE

National Credit Union Administration (NCUA) Removal: On November 22, in Swan v. Clinton, the DC Circuit Court of Appeals upheld your removal of Robert Swan from his position as a member of the Board of Directors of the NCUA and replacement of him with a new appointee under the Recess Appointments Clause.

Motor Voter: On November 13, DOJ filed suit against NY state and New York City for alleged violations of the "Motor Voter" law. In its complaint, DOJ alleges that the state's Social Service offices and the city's Human Resources Administration are not consistently offering the voter registration opportunities required by law.

FL Fair Housing: On November 14, the U.S. and defendants submitted to the court for approval a proposed Consent Order resolving U.S. v. Kendall House Apartments, et al. Under the terms of the settlement, defendants shall pay a total of \$1 million and take steps to ensure that the Fair Housing Act will not be violated at the complex, a 160 unit apartment building in Miami, FL. DOJ alleged that the defendants discriminated against African-Americans and families with children. The proposed \$1 million payment is the largest settlement or award obtained through DOJ's fair housing "testing" program.

ADA Suit: On November 13, in DOJ's first Americans with Disabilities Act (ADA) case to go to trial, a jury awarded Jack Davoll, a former Denver, CO, police officer who had been injured in the line of duty, \$300,000 in compensatory damages. The Denver Police Department had forced Davoll to retire after three on-the-job incidents left him unable to continue to perform the duties

of a police officer. The jury found that the City had failed to transfer, or "reassign," Davoll to one of the vacant civilian jobs and had failed to show that changing its policy to allow such transfers would impose an "undue hardship" on the City.

NY Child Support Recovery Act: Last week, Jeffrey Nichols was sentenced to the maximum of six months in jail for violating the Child Support Recovery Act. He also was ordered to pay \$623,955 in restitution and perform 200 hours of community service. Nichols, who pled guilty to willfully failing to pay more than \$500,000 in child support for his three children, is the first person to be convicted in the Southern District for violating the Child Support Recovery Act and his outstanding child support obligation is one of largest in the country.

AR Street Gangs: In December 1995, DEA's Little Rock Resident Office (LRRO) initiated a joint investigation with other federal, state and local law enforcement agencies targeting violent street gangs involved in the distribution of crack cocaine. The targeted street gangs are known locally as the "Folk Street Gang" and the "Crips"; both are affiliated with Los Angeles based street gangs. On November 14, the LLRO, in conjunction with other federal, state and local law enforcement officials arrested 26 defendants on federal charges of conspiracy to distribute crack cocaine and distribution of crack cocaine.

Mel Reynolds: On November 7, former Congressman Reynolds and his wife were charged with conspiracy to defraud the FEC, making false statements to the FEC, making false statements on loan applications, and wire fraud. Mr. Reynolds was also charged with bank fraud and six counts of making false statements on loan applications.

Right to Die Cases: The U.S. filed amicus briefs in support of NY and WA. In Vacco v. Quill DOJ argued that a state does not violate the Equal Protection Clause of the Fourteenth Amendment when it permits patients to refuse unwanted medical treatment, but prohibits physicians from providing lethal dosages of medication for competent, terminally ill patients who seek this medication for the purpose of ending their lives. In Washington v. Glucksberg, the Ninth Circuit held that a state's prohibition against assisted suicide violates the Due Process Clause insofar as it prohibits physicians from prescribing lethal doses of medication for competent, terminally ill adults who request the medication for the purpose of ending their lives. DOJ argued that, while competent, terminally ill adults have a liberty interest in obtaining relief from severe pain or suffering, overriding state interests justify the State's decision to ban physicians from prescribing lethal medication.

DEPARTMENT OF COMMERCE

Trade Numbers: The monthly trade deficit increased \$1.04 billion in September to \$11.34 billion. Economists predict that this expanded deficit means third-quarter growth figures will have to be revised down to about 1.6 percent from 2.2 percent.

Bilateral Textiles: Negotiations to extend the bilateral textiles agreement with China, which expires December 31, remain on hold following the Chinese threat, reported by the Chinese press, to embargo the importation of numerous unspecified U.S. products in retaliation against the U.S. imposition of triple charges against China's 1996 quota earlier this year. It is not clear when the negotiations will resume.

Information Technology for Manufacturers: On November 19, the National Institute of Standards and Technology (NIST) announced that small and medium-sized manufacturers soon will find it easier to resolve their information and technology needs through a network of resources being established for field agents of the Manufacturing Extension Partnership (MEP). Federal funding from NIST to develop this network totals \$500,000.

The Following Economic Indicators Will Be Announced During the Next Two Weeks:

Value of New Construction Put in Place (October)	December 2
New One-Family Houses Sold and For Sale (October)	December 3
Manufacturers' Shipments, Inventories, and Orders (October)	December 6
U.S. International Transactions (3rd Q)	December 10
Wholesale Trade (October)	December 10

FOIA Requests: DOC received the following requests for information:

- On November 12, Judicial Watch requested records regarding trade missions to Taiwan, Mexico, Poland, Northern Ireland, Republic of Ireland, the Middle East, Spain, Belgium and Senegal; records of John Huang relating to DOC trade missions or to business in or U.S. policy toward Indonesia, and contacts between Huang and Lippo Group or the government of Indonesia; records of Melinda Yee, Mark Middleton, Mark Grobmeyer, C. Joseph Giroir, Maria Haley, James C. Wood, Vernon Weaver, Ira Sockowitz; records released to the *New York Times*; and correspondence after the date of his original requests of previous FOIAs for South Africa, the former Soviet Union, South America, China, India, Bosnia and Croatia, Indonesia and APEC.
- On November 15, the *Washington Post* requested records of contact between Melissa Moss and several individuals.
- On November 20, the *Chicago Tribune* requested records between Dynamic Energy, Inc., Norma Lum, Melissa Moss, and Secretary Brown.
- On November 21, the *Washington Post* requested records for John Huang, Melinda Yee, Trisha Lum, Jeff Garten, David Rotkopf, Richard Bertsch, Ton sooChung of ITA Advocacy regarding Taiwan, China and Indonesia.

DEPARTMENT OF LABOR

Discrimination Case: On November 19, DOL announced the settlement of a racial and sexual discrimination case against Triad International Maintenance Company (TIMCO) of NC. The most offensive incidents included an employee raffle of a knife engraved with the insignia of the Ku Klux Klan, the modification of a company uniform to mimic a Ku Klux Klan costume, and overt threats of rape. DOL discovered the violations during a routine compliance review triggered by TIMCO's failure to post job openings for veterans. No formal sexual or racial discrimination complaints were filed prior to DOL's review. As a result of the settlement, TIMCO will pay \$75,000 in back-pay and interest, will offer to reinstate the employees responsible for the hostile environment, and will offer employee training on diversity issues.

United Auto Workers: On November 18, members of the UAW approved a three-year master agreement with General Motors by an 85 percent majority. The agreement concluded national contract negotiations with the Big Three U.S. auto makers for this year. The compensation portion of the agreement provides for an immediate bonus of \$2,000 and 3 percent general wage increases in the second and third years. Despite the national agreements, local strikes are still possible as local contracts are negotiated.

Consumer Price Index (CPI): In early December, the panel of economists convened by the Senate Finance Committee to review the CPI will likely issue the Boskin report, which will discuss the CPI as an accurate measure of inflation.

Health Law Changes: In early December, DOL will issue a booklet to help employees and employers understand the effects of recent legislative changes in health plans. The booklet, *Questions and Answers: Recent Changes in Health Care Law*, will provide guidance concerning changes made by the Health Insurance Portability and Accountability Act, the Newborns' and Mothers' Health Protection Act, and the Mental Parity Act.

Layoffs: On November 20, DOL began publication of a new data series on monthly mass layoffs. The data are based on initial filings for unemployment insurance by 50 or more workers at one business establishment.

Apparel Industry Initiative: On November 27, to coincide with the holiday shopping rush, DOL issued an updated list of garment retailers and manufacturers who have made a commitment to eliminate sweatshops.

Baseball: On November 26, Major League Baseball owners ratified a new five-year labor agreement. The agreement, ratified by a vote of 26 to four, is essentially the same as the agreement that the owners rejected in August by a vote of 18-12. The agreement still must be approved by the Major League Players Association, whose members are scheduled to meet next week in Puerto Rico. Under the agreement, players will regain the 75 days of service that were lost in the 1994-95 strike, which will make some players eligible for free agency. The agreement will also impose a luxury tax on teams with payrolls above \$51 million. In addition, the minimum salary will increase to \$150,000 next year, \$170,000 in 1998, and \$200,000 after that.

GM Occupational Safety Citation: On November 30, OSHA will issue 13 citations to the General Motors' truck plant in Moraine, OH. The citations will carry a penalty of \$300,000. The citations arose during a May 31 inspection that was prompted by four complaints.

Labor Market Data: On December 5, the Bureau of Labor Statistics (BLS) will release revised data on productivity and costs for the third quarter of 1996. On December 6, BLS will publish national employment and unemployment statistics for November.

Philadelphia Orchestra: On November 18, members of the Philadelphia Orchestra Association ratified a three-year agreement and ended their 64-day strike. On the major issue of continuation of a salary supplement for recording and broadcast work, the media guarantee was replaced by a jointly-owned company to coordinate the activities, with the musicians receiving a preferred distribution of revenues. Performances resumed on November 19.

Media Inquiries: OSHA is working with CBS *48 Hours* for a story on the DeCoster Egg Farm in ME which was cited for numerous health and safety violations. OSHA is providing NBC's *Today* with information on workplace carcinogens for an upcoming story on cancer. The *New York Times* has contacted OSHA for information for a story about a "day in the life of OSHA."

Secretary's Schedule: The Secretary will participate in the following events:

December 3 - Press conference on a directory to locate missing pensioners.

December 3 - Receive an award from the Council for Excellence in Government for DOL's work in the Apparel Industry Initiative to eliminate sweatshops.

December 4 - Remarks to the Partnership for Stronger Families.

DEPARTMENT OF TRANSPORTATION

Los Angeles Airport Revenue: On November 26, the Los Angeles City Council voted 10 to 3 to keep \$31 million that had been transferred from the Airport's Department fund to the City General Fund in an escrow account. This vote came after the FAA instructed the city that the transfer was an unlawful diversion of airport revenue and the funds should be returned by December 2. The FAA and DOT will wait for formal notification by the city and will take appropriate measures as necessary.

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Land Transportation Security: On November 19, at the end of a two-day G7 meeting of land transportation officials, Secretary Peña announced that security officials representing the U.S. and seven other countries will meet next spring to improve ground transportation anti-terrorism activities.

Amtrak Derailment: On November 23, an Amtrak passenger train derailed near Secaucus, NJ, while traversing the Portal Movable Bridge over the Hackensack River. Two locomotives, one baggage car, and two coaches came to rest over an embankment. There were no fatalities and only 2 of the 35 injured passengers were admitted to a local hospital with non-life threatening injuries. All injured passengers have been treated and released. As of November 25, Amtrak was back in service on the Northeast Corridor. Amtrak has begun immediate inspection of every moveable bridge on the Northeast Corridor every time it is opened prior to allowing any train to cross the bridge. Early next week, the FRA will begin a comprehensive review of moveable bridges on the Northeast Corridor. The FRA is also developing a strategy to inspect all moveable bridges nationwide in cooperation with the railroads that operate over those bridges. This program is tentatively scheduled to begin on December 2 and will be completed by December 20.

PR Pipeline Explosion: On November 21, an explosion occurred in a shoe store in San Juan, PR, that may have been caused by a gas leak. Injury statistics are not firm, but there may be between 17 and 29 fatalities with up to 82 injured or missing. San Juan Gas has shut off service for a five mile radius, leaving about 500 customers without service. NTSB has the lead on the investigation to determine the cause of the explosion.

Puget Sound: On November 26, the Coast Guard held a public hearing in Seattle, WA, on the draft International Tug of Opportunity (ITOS) System. The proposal was developed over the past six months by a committee of maritime industry interests at the request of the Coast Guard. Based on participant comments and internal review, the plan may be modified prior to submission to Secretary Peña and Congress by December 31. DOT has begun a study of additional measures to increase the level of safety in Puget Sound-area waters beyond that afforded by a voluntary ITOS system. Congressional interest in this issue is high.

Aircraft Cargo Safety: New rules to require fire detection and suppression systems in the cargo compartments of all commercial passenger aircraft and to ban the transportation of oxidizing materials will be proposed as part of a continuing comprehensive aviation safety initiative. These new actions will strengthen measures adopted earlier this year by the FAA and RSPA to improve passenger air cargo safety.

Air Bags: On November 22, NHTSA announced seven major actions to continue efforts to preserve the benefits of airbags, while minimizing their danger to children and at-risk adults. The steps include adoption of enhanced warning labels, depowering of air bags and continuing to allow cut-off switches in vehicles without a rear seat to protect children. The agency also announced it would accelerate the development of smart air bag technology for future vehicles, with the intent of having the systems available in 1999 model cars.

Caribbean Drug Inspection: On November 25-28, Coast Guard Commandant Admiral Kramek, will be in Haiti, the Dominican Republic, and Puerto Rico to inspect drug operation Frontier Shield and to meet with respective U.S. ambassadors and government officials. He will also meet with the President of the Dominican Republic. A CNN crew will accompany the Commandant on the trip and expects to air several stories starting Thanksgiving Day.

Columbian Cocaine Seizure: On November 19, a Colombian boat was sighted by a Navy patrol plane dumping bales in the water off Colombia's Guajira Peninsula. The Coast Guard received authorization from the Colombians to board the boat and detain the crew. The Coast Guard recovered 38 bales of cocaine. The total weight of the cocaine on the boat was 2,800 lbs.

Media Activities: The *New York Times* is doing a story on small leaks forming in older Boeing 747 fuel tanks. Publication date is unknown.

UNITED STATES TRADE REPRESENTATIVE

EU Rice: The European Union (EU) has failed to open the 1996 brown and milled rice tariff rate quota (TRQ) in time for U.S. exporters to ship this year. If the EU does not roll over the TRQ into 1997, the U.S. may request dispute settlement consultations at the WTO.

NAFTA Transportation Provisions: NAFTA's provisions for opening cross-border trucking in the U.S. and Mexican border states, scheduled for implementation on December 18, 1995, have yet to be implemented pending further work between DOT and its Mexican counterparts on safety issues. The NAFTA liberalization schedule for investment in truck services for transport on international cargo, to have been implemented on the same date, has also been in abeyance. On January 1, 1997, NAFTA provides for Mexican carriers to apply for permits to operate regularly scheduled cross-border bus services. These issues remain of concern to the Teamsters and other unions.

EU Veterinary Equivalency: If the EU and the U.S. fail to reach agreement on veterinary equivalency standards by January 1, U.S. exports of pet food, rendered fats, poultry, and dairy products will become subject to EU regulations for third countries. U.S. exports of pet food and rendered fats valued at \$250 million annually could be severely impacted.

NAFTA Panel: On November 26, the NAFTA panel that was formed to determine whether Canada's tariffs on dairy products, poultry, barley, and margarine are consistent with its NAFTA obligations will submit its final report. A confidential preliminary report issued in July found the tariffs to be consistent with NAFTA. Additional information submitted to the panel by the U.S. may cause some revision in the panel's preliminary findings but it is unlikely that the U.S. will secure a wholesale reversal.

Ambassador's Schedule: Ambassador Barshevsky will participate in the following events:
December 6 - Meet with the Japanese finance minister in Tokyo in an effort to conclude an insurance agreement before December 15.

December 8 - Travel to Singapore to participate in the WTO Ministerial Conference, a meeting of all WTO member countries. At the meeting, the U.S. will reaffirm its commitment to the WTO and express support for further trade liberalization.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Kessler Resignation: On November 25, FDA Commissioner Kessler announced his resignation. Dr. Kessler has served as Commissioner for six years, longer than any other FDA Commissioner.

OR Child Welfare Waiver: On November 22, HHS approved a child welfare demonstration project to improve child protection services in OR. This is the fourth waiver approved by the Administration for state innovations in child welfare programs. Under the demonstration, OR will use title IV-E foster care funds to provide a broad range of services to children and families at risk.

Medicare Fraud Recovery: Laboratory Corporation of America (LabCorp), based in Burlington, NC, agreed to pay \$187 million to resolve civil and criminal liabilities for defrauding the Medicare, Medicaid, and various health care programs. An OIG investigation indicated that LabCorp submitted false claims for medically unnecessary lab tests. Allied Chemical Laboratories, a subsidiary of LabCorp, pled guilty to criminal charges, and will be excluded from participation in all Medicare and state health care programs.

Prostate Cancer Gene: On November 21, the National Cancer Institute and the National Center for Human Genome Research held a press conference announcing the localization of a gene responsible for prostate cancer. The findings, reported in the November 22 issue of *Science*, confirm the speculation that there is an inherited component to the disease. Prostate cancer is the most common malignancy to occur in males.

Models That Work: On November 25, Deputy Secretary Thurm recognized five innovative local health programs as Models That Work for providing better, lower cost health care for people with few options, and for a positive economic and social impact on communities. Models That Work, a public/private sector partnership that promotes replication of grassroots programs, is highlighting projects in El Paso, TX, Los Angeles, CA, Philadelphia, PA, Tampa, FL, and rural MI, for serving the poor, uninsured, and underserved.

Spermicides: At a November 20-22 joint meeting, three FDA advisory committees concluded that spermicides work better than no contraceptive at all, but acknowledged there is no way to say how effective they are or which form (gel, foam, suppository, or film) is most effective. The panel also concluded that some currently marketed vaginally-applied spermicides appear to help prevent transmission of two sexually transmitted diseases, Chlamydia trachomatis and Neisseria gonorrhea.

AIDS Drug: On November 22, FDA's Antiviral Drugs Advisory Committee did not reach consensus to recommend whether the agency should give accelerated approval to Pharmacia & Upjohn Inc.'s AIDS drug Delavirdine, citing conflicting evidence over whether it works and who should use it. The panel's vote of 4 to 4 leaves the final decision up to the agency. The panel urged, however, that FDA avoid making a final decision until analysis on an additional study to confirm the drug's impact is completed in January.

Alzheimer Drug: On November 26, FDA approved Eisai American Inc.'s Aricept for the treatment of mild to moderate symptoms of Alzheimer's disease. It is only the second drug approved for the symptoms of Alzheimer's, which affects an estimated 4 million Americans. FDA approved Warner Lambert's Tacrine in 1993.

Prozac Use for Bulimia: On November 21, FDA approved Eli Lilly's Prozac for the treatment of binge-eating and vomiting behaviors in patients with moderate to severe bulimia nervosa. Prozac was first approved for use in 1987 for the treatment of depression and has also been approved to treat obsessive-compulsive disorder.

Temporary Assistance to Needy Families (TANF): As of November 25, TANF plans have been submitted by 33 states and one tribe. On November 18, the KY and VT state plans were certified, bringing the total number of plans certified to 11. State plans have also been certified complete for NH, WI, MI, FL, AR, OH, OK, OR and IN.

Tobacco: On November 29, *Mortality and Morbidity Weekly Report* is scheduled to contain an article on the accessibility of tobacco products to minors in FL. The sale of tobacco products to persons aged 18 and younger has been prohibited by law since 1992. Since 1994, FL law required the posting of a warning sign stating that tobacco sales to minors are illegal. During February - June 1996, the FL Atlantic University Department of Exercise Science - Wellness Education assessed vendor compliance with FL laws for preventing minors from gaining access to tobacco products through vending machines or over the counter purchases and for insuring that tobacco vendors comply with the sign statute in Broward County. This report summarizes the findings of this assessment.

Medical Devices Approval: FDA has launched a pilot program to review changes to a medical device application with the manufacturer. Changes in sterilization or materials, minor labeling changes and a change in a pending supplement will be considered. The pilot program responds to your initiative to streamline regulatory processes and will be evaluated after six months.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

St. Petersburg Task Force: Last week, Secretary Cisneros led an interagency task force to St. Petersburg, FL. The team, comprised of representatives from HUD, DOL, EPA, SBA, DOJ, and DOC, met with local authorities to review local conditions and tensions that led to recent disturbances in the area. The federal task force developed a report on their visit that includes specific federal actions and recommendations on how to coordinate federal efforts with local leaders. You will call the Mayor of St. Petersburg on Tuesday to announce the federal response.

Elderly and Disabled Americans Housing: On November 21, HUD released \$950 million to finance the construction or rehabilitation of an estimated 10,700 rental housing units for low-income older Americans and people with disabilities. The grants fund both capital improvements and guaranteed rental assistance for 367 housing developments to be operated by private, non-profit groups in 45 states, PR, and DC.

MI Economic Development Initiative (EDI) Grant: On November 26, Secretary Cisneros announced a \$3 million EDI grant in Detroit, MI. These funds, combined with a \$15 million Section 108 loan guarantee, will support the renovation and development of a historic building for use as a hotel, conference center, and residential learning facility. The project will generate 300 jobs, and the nonprofit developer, *Focus HOPE*, intends to fill these with persons living in the neighborhood.

Innovation in Government Award: On December 3, the Ford Foundation will award HUD the Innovation in Government Award in Washington, DC. HUD earned this honor for developing Consolidated Planning Software, used to aid individuals and organizations planning projects funded by block grants.

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National Homeownership Partnership: On December 5, Secretary Cisneros will attend the quarterly meeting of the National Homeownership Partnership in Washington, DC. The Partnership involves real estate professionals, home builders, mortgage lenders, and housing advocates working together to increase opportunities for homeownership. Partners will report on the status of efforts to make homeownership more affordable and to promote the Administration's homeownership strategy.

Section 8 Assistance: *Dateline* reporters would like to interview Secretary Cisneros on whether family members of employees of local housing authorities can receive Section 8 assistance. This story apparently stems from complaints about the abuse of Section 8 assistance in Allegheny County, PA. Secretary Cisneros has heard these complaints and already announced his intention to put a halt to the practice.

OFFICE OF NATIONAL DRUG CONTROL POLICY

CA and AZ Marijuana Initiatives: ONDCP will host a series of meetings to organize the Federal, state and local response to CA's and AZ's Propositions 200 and 215. ONDCP is working with DOT to develop a policy directive from Secretary Peña on how to deal with individuals from the Federally regulated transportation industry who test positive for marijuana.

Proposition 200 and 215 Hearing: On December 2, Director McCaffrey will testify before the Senate Judiciary Committee on Propositions 200 and 215.

Media Activities: On November 19, Director McCaffrey interviewed with Mike Tharp of *U.S. News and World Report* on Gulf War Syndrome.

DEPARTMENT OF INTERIOR

Zion Water Rights Settlement: On December 4, Secretary Babbitt will participate in a ceremony in southern UT with Governor Leavitt and others marking completion of a landmark water rights settlement that protects the water resources and flows inside Zion National Park from threatened upstream diversions. After lengthy negotiations, this outcome was achieved in a way that protects nonfederal water. Interior expects protestors to voice their continuing displeasure with your decision to designate the Grand Staircase-Escalante National Monument. The Secretary will do one-on-one interviews with Salt Lake City media outlets to discuss the merits of the Administration's natural heritage and conservation management initiatives.

National Park Service Fee Program: In 1995, Congress gave Secretary Babbitt the authority to select up to 50 National Park Service (NPS) units in which to implement a pilot fee program. The Secretary announced the schedule of fee increases after a final meeting with Appropriators on November 26. Increases in entrance fees will stay in the parks that collect them. Park managers may use the revenue only for projects related to the construction and maintenance backlog, including road and building repairs and other related projects. Annual revenue resulting from fee increases is estimated to be \$35-50 million. Newspaper articles and editorials reflect the American public's attitude that increased fees are acceptable, provided the money stays in the parks.

Media Inquiries: On November 30, *ABC Nightly News* will focus on changes in the National Park Service Fee Program and what the changes mean for the National Parks.

AK Native Lands: Last week, the 9th Circuit Federal Court of Appeals issued rulings that open the door for the establishment of "Indian country" in AK. Congress created state-chartered Native corporations to administer Native lands in 1971 preventing the development of Tribal sovereign entities long recognized in the lower 48 states. The court said the scope of "Indian country" in AK would have to be worked out case by case. The U.S. did not participate in the litigation. AK will appeal. If upheld, the decision will take years to sort out.

UT Wilderness Injunction: District Judge Dee Benson issued a preliminary injunction halting work on the UT wilderness review, with which BLM is complying. In his interim ruling, Judge Benson expressed concern regarding a lack of "public involvement and local coordination." Before the injunction, the Wilderness Review Task Force had completed about 90 percent of the necessary field work, and anticipated a final report to Secretary Babbitt by January 20. DOI is coordinating with DOJ on whether to appeal the decision.

Indian Trust Fund Report: DOI has circulated to OMB and other agencies its report and initial recommendations to Congress for addressing Indian tribal trust fund account balances. The recommendations are based on a 5 year, \$21 million study of the BIA's management of trust fund accounts for 300 Tribes. DOI is proposing that legislation be enacted to settle claims that Tribes may have. However, additional consultation with Tribes will be required before the parameters of that legislation can be fully defined. While these recommendations were due to Congress on November 15, internal Administration discussions have required that the submission be delayed. Interior hopes to transmit the report on December 6.

Secretary's Schedule: On December 3, Secretary Babbitt will meet with Governor-elect Locke and Governor Knowles in Seattle, WA. The meeting with Governor Knowles will cover a variety of issues, including the National Petroleum Reserve and Lease Sale 149.

UNITED STATES DEPARTMENT OF AGRICULTURE

Food Recovery Initiative: On November 26, Secretary Glickman participated in gleaning activities at a pre-Thanksgiving USDA farmers' market in Washington, D.C. On November 23, USDA produced a special Radio Newslane which amplified your radio address. As a result of your radio address on gleaning and food recovery efforts, public interest in such efforts has skyrocketed. Since November 23, the USDA-sponsored "1-800-GLEAN-IT" hotline received nearly 300 calls.

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Can we
do this?
Follow
up?*

LA Welfare Waiver: USDA has received a request from Louisiana for a welfare reform waiver that would allow an exemption from food stamp work requirement time limits for adults aged 18-50 in the provisions for individuals who reside in areas with an unemployment rate of over 10 percent.

FL Citrus Canker Program: USDA continues to receive letters from FL's Congressional delegation and industry leaders in the state requesting additional federal funding for the cooperative citrus canker program.

Russian Poultry Exports: On November 30, representatives of seven major U.S. poultry companies and USDA officials will leave for Russia on a fact-finding tour. The U.S. industry is concerned that Russia may restrict imports of poultry products unless the U.S. helps Russia build its industry. Russia continues to be the largest market for U.S. poultry parts in 1996, accounting for 38 percent of total trade during January-September 1996. Total U.S. poultry exports to Russia over the first nine months of 1996 are up 37 percent.

FOIA Requests: The *Washington Post* asked for records of any contacts between John Huang and his staff and USDA employees.

DEPARTMENT OF ENERGY

Northwest Power Outage: On November 19, an ice storm in eastern WA and parts of ID caused a major power outage affecting over 200,000 customers. Because of the extensive damage, some lines are still out of service affecting approximately 20,000 customers. Service will be substantially restored by November 28. Downed power lines in remote areas may take additional time to restore. DOE facilities at the Hanford site were not affected by the power outages. Regional press coverage is expected to continue.

TN and WA Work Force Restructuring: On November 20, Secretary O'Leary approved the anticipated FY97 reduction of as many as 1,680 prime contractor employees at the Oak Ridge, TN, site. It is estimated that a net reduction of approximately 600 subcontractor employees may also occur during the fiscal year. This work force restructuring is a result of reductions in total available funding at the site. It is anticipated that up to approximately 1,000 notices of

involuntary separation will be provided to employees by December 2. A voluntary separation program will be offered. Medical, educational and relocation assistance will be available. On November 22, Secretary O'Leary approved work force reductions totaling approximately 700 positions that are anticipated at the Hanford, WA, site during FY97. This restructuring is the result of work scope changes and skills mix needs. Notices of involuntary separation will be issued to employees in early December.

Plutonium Storage: Director Holum of ACDA, Dr. Gibbons of OSTP, and Secretary O'Leary have clarified that the federal government has not yet made a final decision on the technologies to be used to eliminate excess weapons-usable plutonium. Decisions on the technology(s) for disposition of surplus weapons plutonium will send a clear signal to other nations that the U.S. is serious about reducing its stockpile of surplus weapons materials. On November 22, the *New York Times* published an article which suggested that DOE's preliminary consideration of disposing of weapons-grade plutonium in commercial reactors violates a longstanding nonproliferation policy separating civilian and defense usable nuclear materials. The article also focused on the considerable opposition from environmental groups.

Oil Prices Increase: With distillate stocks lower than a year ago, the news of a stock draw and cold weather sent the spot price of heating oil in NY Harbor 5.5 cents higher in the middle of last week, pulling crude oil and gasoline spot prices up as well. Warmer weather and reports of extra gasoline imports forced a downward correction of almost a penny in heating oil spot prices. Propane spot prices at both the major trading hubs in TX and KS continued to spiral upward to near record levels for this time of year. Last week, spot prices jumped 10 cents to nearly 62 cents per gallon at KS, while TX prices rose by 5 cents to more than 57 cents per gallon during this same period. Continued volatility in the near future is expected due to the combination of low inventories and colder than normal weather.

Nonsurgical Laser Cancer Treatment: At DOE's Oak Ridge National Laboratory in TN researchers developed a nonsurgical laser treatment of cancer tissue with no side effects. The treatment can be applied to cancers of the breast, liver, skin and other tissues. It combines laser light and presently available drugs. The laser passes harmlessly through the skin to activate an ingested pharmaceutical at the point of focused light in the cancerous tissue. This new technology could be available for cancer treatment in the next few years.

Human Radiation Experiment Claims: On November 19, Secretary O'Leary announced a settlement of human radiation claims at the American Public Health Association meeting. The settlement provides \$4.8 million to the families of 11 persons injected with plutonium and to one woman injected with uranium as part of Cold War-era research experiments. The DOE and DOJ judgment fund will share the cost of the settlement, which will result in a release of all claims against the government, its contractors and their employees arising out of these twelve experiments. Settlement negotiations involving four additional plutonium injection claims continue to be pursued by DOE and DOJ.

NY New Drug Addiction Study Center: Brookhaven National Laboratory has announced that it will open a new medical research center that is jointly sponsored by several federal agencies to study the biochemical roots of drug abuse. The center will focus on the abuse of such drugs as cocaine, heroin and nicotine. The center will use DOE state-of-the-art imaging technology to study the biological bases of addiction. Participants included representatives from DOE, ONDCP and NIH. DOE technology and research will lead to major new inroads in understanding the causes of drug addiction and possible new treatments.

Tritium Production: In order to maintain supplies of tritium, DOE is considering a dual path to tritium production. The two options are to use U.S. commercial light water reactors or use the construction of an accelerator facility to be built at DOE's Savannah River Site. WA's Congressional delegation and the Hartford community has requested that DOE consider the use of a previously-used test reactor, the Fast Flux Test Facility (FFTF) located at the Hanford tritium production site. The DOE requested a technical evaluation from the JASONs, an association of nationally renowned, senior experts in a variety of technical fields, of the capability of the FFTF to produce tritium. On November 22, JASONs reported the FFTF is technically capable of producing various quantities of tritium but not all that is required. The WA delegation views this project as an economic boost to the community.

Nevada Test Site: DOE, coordinating with the NSC, expects to release its Record of Decision for the Nevada Test Site. This includes plans to conduct subcritical experiments involving small amounts of nuclear materials. The decision will fulfill DOE's commitment to meet its national security mission consistent with environmental regulations. Members of the public have indicated that they will oppose it for not adequately considering alternatives. Some opposition to an announcement of continued storage of weapon parts at Pantex is expected. Media interest is anticipated.

Pageant of Peace Solar Power: As part of a partnership between DOE and DOI, solar electric panels have been installed on the Ellipse to help power the 1996 Pageant of Peace and the lights that decorate the National Christmas Trees. The technology was donated by seven U.S. companies from MA, DE, CA, MD, and WI.

Mars Space Mission: On December 2, NASA will demonstrate the feasibility of low-cost landings on and exploration of the Martian surface. The Mars Pathfinder utilizes radioisotope heater units containing small amounts of plutonium-238 to provide auxiliary heat for its surface rover's electronic packages. DOE is supporting NASA with contingency planning in the event of a launch accident. DOE's emergency response assets will be deployed as necessary to assist NASA and state and local governments in emergency response and recovery operations.

Secretary's Schedule: On December 12, Secretary O'Leary will convene a public meeting on the impacts of electricity industry restructuring. This is the last of four regional meetings to solicit public input on the Administration's electricity industry policy.

DEPARTMENT OF EDUCATION

Student Loan Default Rate: In early January, Secretary Riley will announce that the student loan default rate for FY94 is expected to be lower than the FY93 rate. The FY94 rate encompasses loans that went into repayment during the period October 1993 through September 1994, and reports on their repayment history for the period October 1993 through September 1995. The FY93 rate was 11.6 percent, the lowest ever, down from over 22 percent in FY90.

Special Education for CA Detainees: On November 18, DOEd received a letter from CA indicating its interest in reaching a compliance agreement regarding its failure to provide special education services to 6,500-8,500 eligible youths with disabilities in CA's correctional facilities. This week, DOEd wrote CA indicating its willingness to work with the state toward entering into such an agreement. Without the agreement, CA could conceivably lose \$300 million in federal funds distributed under the Individuals with Disabilities Education Act.

MA Discrimination Suit: On November 19, a federal judge dismissed as moot the case of a student who challenged racial preferences for admission to Boston's prestigious examination schools. The judge had previously issued a preliminary injunction ordering that the student be admitted to Boston Latin. That order indicated that the judge would likely have found at the trial that the school system's admission policies, which reserve 35 percent of the places at the school for black and Hispanic students, are unconstitutional. In its motion to dismiss, the school district indicated it would allow the plaintiff to remain at Boston Latin and would develop a new admissions policy based on merit and maintenance of racial diversity.

Australian Education: On December 13, Secretary Riley will participate in a signing ceremony for a renewed MOU regarding education and training in Australia.

VETERANS AFFAIRS

Reproductive Health Research Center: On November 15, VA announced the selection of its Louisville, KY, Medical Center as a designated research center to investigate potential reproductive and developmental hazards of military service. The center will receive startup funds of \$50,000 and \$300,000 per year for up to three years. While studies to date of Persian Gulf War veterans and their families have shown no abnormal rate of birth defects, pediatric illnesses or unusual contagious disease patterns, VA believes that more research is needed.

Rape in the Military: On November 15, *ABC 20/20* aired parts one and two of its program on rape in the military. The third part of the program is scheduled to air December 6. Part one focused on women veterans' stories about sexual trauma experienced in the military. Part two focused on the investigation at Aberdeen Proving Ground and included an interview with one woman on active duty who has filed sexual harassment charges. The third part of the program will focus on the clinical aftermath and post-traumatic stress disorder, as well as VA programs and services to assist women veterans. The show also aired VA's toll-free number for information on sexual trauma counseling programs and services.

SMALL BUSINESS ADMINISTRATION

St. Petersburg Disaster Declaration: On November 25, an SBA Disaster Declaration was signed to assist in recovery from the civil disorders which took place in St. Petersburg, FL, in the last month. On November 23-25, Counselor to the Administrator Dennis traveled with Secretary Cisneros to St. Petersburg, FL, to meet with local community leaders on federal assistance.

Microsoft-Compaq Partnership: On December 5, Microsoft Corporation, Compaq Computer, and SBA will announce a major national partnership to donate software, hardware training, and technical assistance support to SBA's Business Information Centers across the country.

FOIA Requests: On November 20, the *Washington Post* submitted a request for all contacts between John Huang or his staff and SBA. The Center for Public Integrity requested information on all international travel by the Administrator since January 1993.

FEDERAL EMERGENCY MANAGEMENT AGENCY

Puerto Rico Update: On November 21, PR was granted an Emergency Declaration as a result of a gas leak explosion at a shopping mall in San Juan. To date, there are 28 dead, 85 injured, 15 people who remain hospitalized and 8 missing. A lawyer representing four of the victim's families has filed suit against the gas pipeline company for \$1.5 million. The suit claims the gas company was negligent in repairing the pipeline and could have prevented the explosion. This suit has received media attention.

Hawaii: On November 26, HI was granted a Major Disaster Declaration as a result of the November 5 storms.

SOCIAL SECURITY ADMINISTRATION

Disabled Children Notification: On November 25, SSA mailed its first notices to disabled children who receive SSI. The notices provide information about the new disability requirements under welfare reform and explain that SSA will be reviewing the cases to see if the child meets the requirements. On December 2, another group of notices will be sent. The total mailing will be to approximately 267,000 children who may be affected by the legislation.

Welfare Reform Regulations: Four provisions of the welfare reform act require SSA to publish regulations by November 22. Two provisions, including accountability requirements for benefit payments to children and installment payment of large past-due SSI benefits, are contained in an interim final rule under review at OMB. SSA expects to publish these within a week. A third provision applies a \$30 payment limit to children in medical care facilities receiving payment on their behalf under a private health insurance policy. SSA expects to publish this interim final rule in early December. The fourth provision changes the definition of disability for children in SSI and requires SSA to develop implementing regulations for defining this new eligibility standard. SSA is involved in discussions on policy and legal issues surrounding these regulations and hopes to publish them shortly.

Medicare Board of Trustees Meeting: On December 5, the Board of Trustees, which traditionally meets twice a year, will meet in Washington, DC, to discuss the financial status of the Social Security and Medicare trust funds, and discuss the status of the Board's 1997 Annual Report will be discussed. The Social Security trust funds were extremely close to the estimates for FY96, with the cost-of-living increase of 2.9 percent being exactly as predicted.

Cycling Payment of Social Security Benefits: Historically, Social Security benefits generally have been paid on the 3rd day of each month. SSA proposes to establish additional days throughout the month on which Social Security benefits will be paid for future beneficiaries. Individuals who file for Social Security benefits after May 1, 1997, will receive their benefits on the 2nd, 3rd, or 4th Wednesday of the month instead of the 3rd day of the month. This Initiative comes out of the second phase of the National Performance Review.

Operation STOP Program: SSA's OIG has just begun conducting an operation to identify and suspend payments to SSI recipients fraudulently receiving payments while living in another country. STOP will be tested along our Southwest border due to the numerous allegations regarding program fraud and abuse in this area and will be replicated in other areas if it proves effective. It is anticipated that this operation will result in the elimination of payments to a substantial numbers of illegal recipients.

WI Social Security Fraud: In early November, two men were arrested in connection with a large seizure of counterfeit Social Security cards and related fraudulent documents. In April 1996, a United Parcel Service shipment from Mexico to Milwaukee, WI, containing over 6,000 counterfeit Social Security cards was intercepted by U.S. Customs officials. The evidence resulted in the indictment of one of the suspects.

ENVIRONMENTAL PROTECTION AGENCY

National Air Standards: On November 27, Administrator Browner held a press conference announcing proposed changes strengthening the current federal air quality standards for smog and soot to protect public health and the environment. Smog and soot pollution contribute to serious respiratory diseases, asthma attacks and even premature death. EPA estimates that

approximately 133 million people live in areas that would not meet the proposed new standards. The proposed standards are expected to save 20,000 lives each year, reduce aggravated asthma episodes by more than 250,000 cases, reduce chronic bronchitis by 60,000 cases, reduce hospital admissions due to respiratory problems by 9,000 cases, and result in over 1.5 million fewer cases of significant respiratory problems.

OFFICE OF PERSONNEL MANAGEMENT

Buyout Ruling: Agreeing with OPM in the case of Patrick v. the Department of Agriculture and OPM, the Merit System Protection Board overturned decisions by its administrative judges that held that the retirements of several employees were involuntary because the USDA had misled them by stating that it did not anticipate having more than one buyout window, but subsequently had another. The Board held that the controlling issue is what the agency knew or believed at the time it informed the employees of their options, not what the agency did later after the appellants initiated their voluntary actions.

Alternative Locality Pay Plan Issued: On November 22, you transmitted to Congress an alternative pay plan for locality pay adjustments affecting General Schedule employees. The plan, effective the first pay period of 1997, will provide adjustments that will increase the payroll by an overall amount of approximately 0.7 percent. This increase is in addition to the 2.3 percent general increase which goes into effect at the same time.

UNITED STATES INFORMATION AGENCY

Human Rights Day: On December 10, USIAs Washington Foreign Press Center will hold a Digital Video Conference (DVC) with former President Carter. This special program on the celebration of the UN International Human Rights Day will begin with remarks by Carter on global human rights, the crisis in the Great Lakes Region of Africa and recent Nicaraguan elections.

Binational Commissions On-line: At the request of the Vice President's Office, USIA is developing an integrated set of Internet web sites for the four binational commissions (BNCs) co-chaired by the Vice President. The four commissions are US-South Africa (Gore-Mbeki), US-Russia (Gore-Chernomyrdin), US-Egypt (Gore-Mubarak), and US-Ukraine (Gore-Kuchma). The introductory page and US-South Africa site are already online; the US-Russia page will be posted before Thanksgiving. We will maintain these sites with materials generated by meetings of the full BNCs, in coordination with the State Department and other agencies participating on the commissions.

Moscow Studio Art at Corcoran: On December 8, Mrs. Gore will attend the Corcoran Gallery opening of an exhibit and symposia on contemporary Russian art by 16 artists and curators from Russia, Ukraine, Latvia, and Georgia.

Book Donation to East Timor University: On November 22, USIS Jakarta's presentation of books and pamphlets on human rights and democracy arrived at the University of East Timor. The University's School of Government reports that the books, translated into the local language, will be ideal for students in East Timor, where few understand English.

Scholarships For Women: On November 17, USIS Lahore hosted a reception on November 17 for this year's winners of Hillary Rodham Clinton Scholarships. This is the second year of the program that provides grants to young women to study business and management. USIS placed stories and pictures in the national press.

East Asia Visit: Although complete reports are not yet in, your visit to the East Asia and Pacific region has gone very well, according to USIS Canberra and USIS Manila. Asian media are commending the renewed attention being paid by the U.S. to the region.

 **The Clinton Doctrine:** USIS Fukuoka was able to provide western Japan's leading daily, the *Nishinippon Shimbun* (circulation one million) with a copy of your speech to Parliament in Canberra shortly after it was delivered, and the paper's lead editorial on November 22 gave high marks to your initiative for deeper engagement with China, stating, "If Clinton in his second term translates his new Asia initiative into action with seriousness and a long-term perspective, the speech could well become known as 'the Clinton Doctrine' . . . It is wrong to perceive that U.S. interest has now shifted from Japan to China. The Japan-U.S.-China relationship will be dominant in the century to come."

GENERAL SERVICES ADMINISTRATION

Inauguration: GSA continues to support the 1997 Presidential Inaugural Committee (PIC). GSA is authorized to provide administrative, financial, procurement, personnel and security services to the PIC. GSA has established a home page for PIC on the Internet and continues to handle media relations until a full time PIC media person is on board. GSA representatives will remain on site to assist PIC.

Buyouts: GSA's latest round of employee buyouts has resulted in 220 buyouts. GSA has reduced its work force from over 20,000 in 1993 to under 16,000 with no RIFs.

cc: The Vice President Michael McCurry
 Leon Panetta Doug Sosnik
 Harold Ickes Marcia Hale
 Evelyn Lieberman Don Baer
 George Stephanopoulos Ron Klain
 Alexis Herman Rahm Emanuel
 Carol Rasco John Hilley
 Maggie Williams



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

November 22, 1996

11-29-96

96 NOV 22 PM 9:20

MEMORANDUM FOR THE PRESIDENT

FROM: KATHLEEN A. McGINTY

CC: LEON PANETTA
ERSKINE BOWLES

RE: CEQ WEEKLY REPORT

EPA's PROPOSED CLEAN AIR STANDARDS FOR OZONE AND PARTICULATES

On November 4, Environmental Protection Agency (EPA) forwarded to OMB for White House review proposals to tighten ambient air quality standards for ozone and particulates. The Clean Air Act requires EPA to review these standards every five years, and to tighten the standards if scientific evidence indicates that is required to protect public health. If there is no health-based reason to revise the standard, EPA may simply reaffirm the existing standard. The statute does not permit cost or implementation considerations to override the health-based standards. EPA's review of particulates is clearly overdue, and EPA is under a court order to issue this rule no later than November 29.

EPA believes that the scientific evidence requires increases in standards for both particulates and ozone, and feels strongly that the two proposals should be issued together adequately to address air quality issues, and to give the industries and state and local governments should likely to be affected the most complete information with which to plan control strategies. There have been several internal White House and interagency meetings to consider both the substance of the rules and the issue of whether both standards need to be issued at the same time, or whether additional clearance time should be available for the ozone standard. No consensus recommendation has been finalized, although we are hopeful that such a recommendation will be ready shortly.

In any event, any publication will be of proposed rules that will seek public comment before they are finalized, and actual implementation of any increased standards would not take place for many years. However, most small and large businesses are poised aggressively to oppose any increased standards based on cost considerations, and we can expect to hear strong opposition from both business and the Hill if increases are proposed for either particulates or ozone. Nonetheless, because we face a court order; because a change in the standards is clearly required under the statute; because the press otherwise is poised to write some very unpleasant stories, my own recommendation is that we move forward now with both standards

but that we underscore that they are only proposals and therefore very much subject to change in the light of public comment.

HOMESTEAD AIR FORCE BASE

CEQ is continuing to work with other White House offices and agency representatives to develop an appropriate response to the environmental concerns recently raised over the pending transfer of Homestead AFB to Dade County, Florida.

CEQ staff attended a meeting this week hosted by Marcia Hale with Miami Mayor Alex Penelas. The mayor's message was straightforward: he interprets his recent election as a mandate to move rapidly ahead to take title to and begin development of the former air base. He did not express any hostility to the environmental groups' concerns and offered to host negotiations among stakeholder groups and the Administration, but he does not want the Administration to take any action that would delay transfer of the base.

Mayor Penelas' goal is consistent with the Administration's policy in favor of redevelopment of the base, but may in some respects be at odds with our policies on Everglades and environmental protection. Having stressed protection of the Everglades during the campaign, we will be open to criticism if we choose to follow the mayor's lead entirely. Department of the Interior and EPA both have raised concerns, more sharply in recent weeks, that match those raised by the environmental groups.

We are still working to find the approach that reconciles our respective "mandates," and hope to be able to have a recommendation for your consideration in early December.

WETLANDS: NATION-WIDE PERMITS (NWPs)

CEQ has been convening discussions among federal agencies and outside groups concerning the Corps of Engineers' (the Corps) proposals to finalize and re-issue its major nation-wide permits (NWPs), which will take place within the next ten days. These NWPs authorize limited filling of wetlands in the course of certain activities (e.g. single family home construction) without the need for an individualized permit.

While these NWPs are an essential part of our wetlands reform effort and are necessary to facilitate development, several of the current permits were written so broadly that they now authorize excessive wetlands loss (tens of thousands of acres each year). While the Corps has revised the NWPs substantially in order to reduce potential wetlands loss, the changes will not go far enough to satisfy environmental groups.

With respect to the most controversial permit, NWP 26, the Corps has "greened up" the permit considerably but environmental groups will strongly criticize the Administration for not revoking the permit altogether. On the other hand, the changes the Corps has made will most certainly engender criticism from builders, developers, and property rights activists, who are sure to renew their efforts to roll back wetlands protection legislatively. In our meetings,

*Then we need
to move forward
+ let everyone
on it -
must do*

CEQ has been seeking a middle course that will dampen criticism and stave off a major backlash on the Hill. The revised NWP's will go into effect in January.

HEADWATERS

December 5 is the deadline for providing Charles Hurwitz with a list of potentially available state and federal assets which he finds acceptable for an exchange for Headwaters forest and other old growth redwoods and buffer areas. It appears unlikely that by then we will come close to identifying the \$380 million in cash and/or assets required by the agreement (the federal share is \$250 million). The reasons for our lack of success to date are the enormous complications in quickly preparing this amount of excess or surplus federal property for exchange with a private party, due to legal and regulatory hurdles and, in some cases a need for legislation.

If we do not identify \$380 million in assets, or if the properties identified are not acceptable to Mr. Hurwitz, then Pacific Lumber Company can elect to start salvage logging in Headwaters and the other old growth areas included in the Agreement, or it can terminate the Agreement altogether. If either case should happen, the environmentalists will be extremely vocal and visible. If there is a perception that we acted in good faith in signing the agreement and attempted to identify suitable property, I believe Mr. Hurwitz will be deemed the villain if he starts salvage logging. Of course, we hope to avoid this scenario altogether by continuing our dialogue with Mr. Hurwitz and by considering other options for providing our share of the deal. (We may, for example, simply put a \$250 million mark in the budget for this purpose).

OMNIBUS PARKS BILL

While the reaction to your signing of the parks bill has been generally very positive, one issue has raised concern within the environmental community. During your remarks you stated that the management of the Presidio, through a trust arrangement using primarily private funds, "gives us a blueprint for national parks that one day will be able to sustain themselves without government funds." We have received a number of letters and calls expressing concern that this is intended to signal, or will be used by Republicans to support, commercialization of the parks and further reductions in the federal budget for parks. It is our assumption that, instead, this reference was limited to unique parks, like Presidio, which have extremely high operating costs and hundreds of buildings, and was not intended to signal a general intent to make all parks self sufficient. We will look for opportunities publicly to clarify that point. If this is incorrect and you have a different vision in mind, we should discuss immediately.

GREAT BARRIER REEF

Your speech on the global environment was well received and enthusiastically supported by the environmental community. National Public Radio and news wire reports were very positive. However, the Australian government did point out in its papers that it is not in agreement with the U.S. position on climate change. I have attached some news clips for your review.

Date: 11/22/96 Time: 06:57

Clinton combines vacation, plea for environment

by Christian Chaise

PORT DOUGLAS, Australia, Nov 22 (AFP) - President Bill Clinton on Friday called on the world to protect the environment, as he visited a rain forest, the Great Barrier Reef and came face-to-face with a kangaroo.

Clinton is spending a two-day vacation in this northeastern Australian town before heading for Manila where he will attend next week's Asia-Pacific Economic Cooperation summit.

But even on vacation, he could not refrain from working. At a midday talk at a Port Douglas beach-side park, Clinton appealed before an audience with the waters of the Pacific as background, he emphasized the need to safeguard coral reefs from the threats of pollution and destructive fishing methods.

"We are citizens not only of individual nations, but of this small and fragile planet," said Clinton, who removed his Australian bush hat while he talked. "We know that pollution has contempt for borders."

Influenced by Vice-President Al Gore, Clinton has made the environment one of the themes of his presidency, especially during the recent presidential campaign.

Clinton also appealed to the international community to make "legally binding commitments" to reduce greenhouse gas emissions and halt global warming.

To thank Clinton for being "prepared to put the environment firmly on the international agenda," Australian Environment Minister Robert Hill announced that part of the coral reef off Port Douglas would be named after American ecologist Rachel Carson.

The president's proposals were well-received by his audience of 200 to 300 people in a town where the defense of the environment is synonymous with survival of the local economy.

"It was a very positive message," tourist industry employee Karl Jasienowski, 37, told AFP.

"I think any politician who says good things for the environment is

doing good things, providing they are acting out what they say," Jasienowski said.

Sean Purcell, a member of a local environmental group, said he had personally congratulated Clinton after his speech.

"He was sincere in his appeal for more international efforts," Purcell said. "I congratulated him on the quality of the leadership that America has brought to the international community."

Earlier, the Clintons visited the Daintree rain forest where the president fed a kangaroo and petted a baby koala named after his daughter, Chelsea.

The kangaroo munched grain from Clinton's hand, while the president petted the animal's head.

Clinton's wife, wearing a large straw hat, looked on from a distance before deciding to try petting the kangaroos and wallabies herself.

The Clintons also visited a koala enclosure, where the president petted the koala named after his 16-year-old daughter, who did not accompany her parents on the trip.

"I wish she was here to see this," Clinton said. "We called her this morning and told her we were coming to see her namesake."

The Clintons spent the afternoon snorkelling on the Great Barrier Reef.

chz/jrb/jd

Clinton presses PM on gas emission limits

By PAUL McGEOUGH
and MURRAY HOGARTH

President Clinton yesterday used his last formal appearance in Australia to press the Howard Government to abandon its opposition to a world push for legally binding commitments to reduce damaging greenhouse gas emissions.

Mr Clinton did not name Australia, but he called on the "community of nations to stand together" against the threat of global warming.

Standing in the midday sun in a foreshore park at Port Douglas in Far North Queensland, he said: "A greenhouse may be a good place to raise plants; it is no place to nurture our children. And we can avoid dangerous global warming if we begin today and if we begin together."

The Environment Minister, Senator Hill, who listened to the President's speech, rejected suggestions that it was cause for embarrassment, insisting that Australia was not prepared to give Mr Clinton a "blank cheque".

He said: "None of the detail is there. What are the limits on time frame? How is it to be calculated? None of this has been settled."

Claiming other countries supported Australia's push for voluntary limits on gas emissions, Senator Hill said Australia wanted negotiations to continue towards a fair and achievable outcome.

"Japan and Canada recognise Australia's position and our different economic profiles. And the US is not saying what his targets are."

Mr Howard has been embroiled personally in Australia's increasingly maverick stand, with global warming becoming the world's biggest environmental issue in the run-up to the Kyoto Climate Conference in Japan next November.

In July, Mr Howard accused the US of "acting out of self-interest" after its dramatic switch to support binding targets, saying: "It suits the Americans and the Europeans to take a different line on this issue than Australia."

And in September, Mr Howard was again involved in climate change controversy,

**A greenhouse may be a
good place to raise
plants; it is no place to
nurture our children.**

after Australia sought to water down a South Pacific Forum communiqué dealing with greenhouse problems.

Mr Clinton told a crowd of about 500 locals that greenhouse gases released by cars, power stations and burning forests were warming up the planet.

He said: "If they continue unabated, the consequence will be nothing short of devastating for the children here in this audience and their children."

"New weather patterns, lost species, the spread of infectious diseases, damaged economies, rising sea levels — if the present trends continue there is a very real risk that some time in the next century parts of this very park we are here in today could disappear, submerged by a rising ocean."

Before spending the afternoon on the Great Barrier Reef, Mr Clinton appealed for a united international drive to protect the environment.

He said: "Just as [Australia and the US] have been allies for peace and freedom, we must be allies in the 21st century to protect the world environment."

"We know that pollution has contempt for borders — that what comes out of a smokestack on one nation can wind up on the shores of another an ocean away. We know too that recovery and preservation also benefits people beyond the borders of a nation in which it occurs."

"We know that protecting the environment can affect not only our health and our quality of life, it can even affect the peace."

"In too many places, including those about which we read too often now on the troubled continent of Africa, abuses like deforestation breed scarcity and scarcity aggravates the turmoil which exists all over the world."

Mr Clinton called for a global agreement to stop toxic chemicals and pesticides from being released into the world.

THE PRESIDENT HAS SEEN

11-29-96

chron
CEA

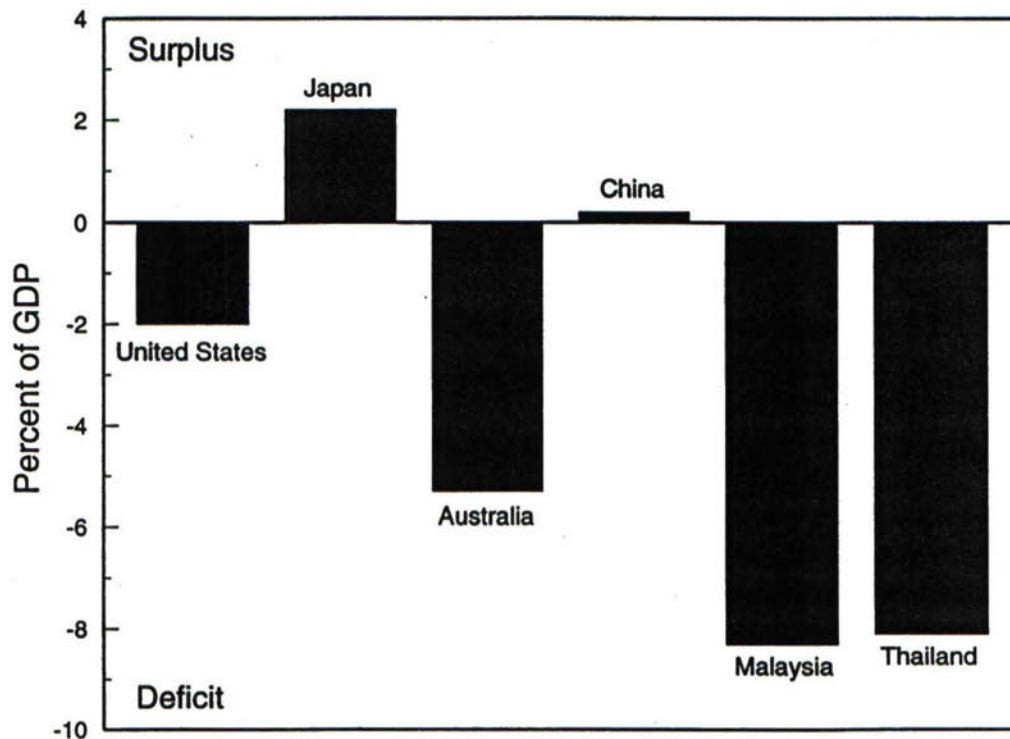
WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

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

November 22, 1996

CHART OF THE WEEK

Current Accounts of Selected APEC Countries in 1995



A common rule of thumb is that countries with current account deficits in excess of 3 percent of GDP are vulnerable to a crisis, as was the case for Mexico and Argentina in 1994. Such deficits are less dangerous, however, when a country is borrowing from abroad to finance rapid investment and growth—the current situation in Malaysia and Thailand. Australia has borrowed from abroad for many years to develop its vast natural resources, with little evident problem.

CURRENT DEVELOPMENT

SPECIAL ANALYSES

Will There Be Enough Jobs for Welfare Recipients? 3

ARTICLE

Why Have Increases in Employer Health Benefit Costs Slowed? 5

DEPARTMENTS

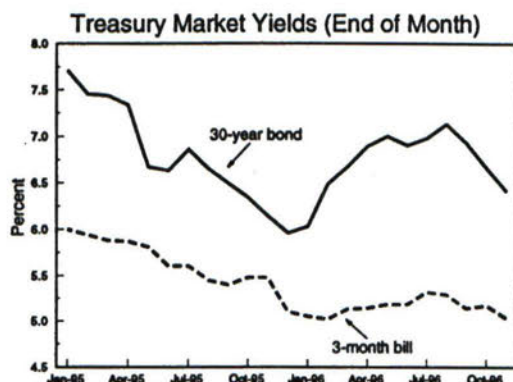
Financial and International Statistics 11

"Brodkin, now that the economy is creating jobs at a faster than expected clip, why don't you go out and find yourself one?"

CURRENT DEVELOPMENT

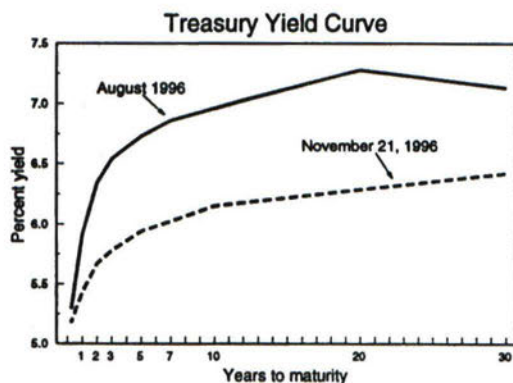
Long-term Interest Rates Experience Fall

Since the summer, the yield on 30-year Treasury securities has declined much more than the rate on 3-month bills (see upper chart). This decline has produced a "yield curve," which shows interest rates at various maturities, that is less steep and closer to its historical norm (see lower chart).



Analysis. The recent decline in long-term rates has reversed almost two-thirds of the rise earlier in the year. Changes in expectations of future inflation or real interest rates can cause shifts in the yield curve. Recent surveys have shown little change in expected inflation. Rather, the rise and subsequent decline in intermediate- and long-term interest rates this year appear to reflect movements in real interest rates.

At least three factors have affected real rates this year: perceptions about the strength of the economy, expectations about Federal Reserve policy, and the outlook for the Federal budget deficit.



The pickup in growth earlier this year produced expectations of increasing demand for funds and higher future interest rates. It also led market participants to believe the Fed would probably raise rates to prevent the economy from overheating. Finally, partisan discord may have increased pessimism about the outcome of the budget process.

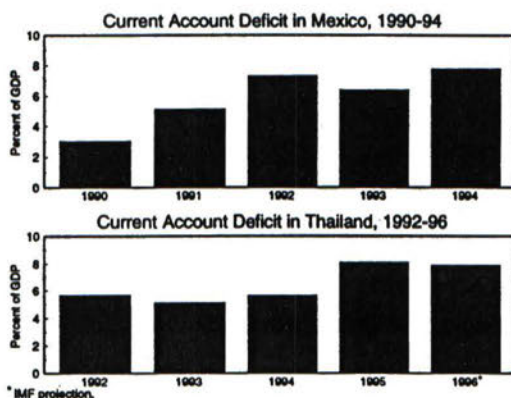
All these factors have turned around in recent months: the economy has slowed, the Fed shows no intention of tightening soon, and relations between the White House and the Congress have a more conciliatory tone. As a result, expectations of higher interest rates have abated as well.

SPECIAL ANALYSIS

Is Thailand the Next Mexico?

Thailand—like Mexico before the 1994 peso crisis—has been financing a rapidly expanding current account deficit with substantial short-term international borrowing. Thus, Mexican-style pressures could hit Thailand. But key differences between these economies make Thailand less vulnerable to a crisis.

Similarities. Until December 1994, when Mexico devalued the peso and was forced to let its currency float, increasing capital inflows had been financing an expanding current account deficit (see chart). The deficit hit 7.8 percent of GDP in 1994. In



Thailand, the current account deficit has recently shown a similar pattern, reaching 8.1 percent last year.

Thailand has substantial short-term debt outstanding, as Mexico had before the crisis. In each case, the government's attempt to peg, or at least stabilize, the value of the currency contributed to the debt inflow.

Differences. Important macroeconomic indicators suggest Thailand has a healthier economy today than Mexico had in 1994. Recent Thai economic growth has been much higher and steadier than Mexican growth was in the early 1990s. Thai GDP grew 8.7 percent last year (although it is likely to slow this year). Mexican growth in the early 1990s peaked at only 3.6 percent in 1991. In common with other fast-growing Asian economies, Thailand has a high rate of gross domestic saving—36 percent of GDP last year. Mexican gross domestic saving, by contrast, was only 18 percent of GDP in 1994. This means both that the economy would suffer less if cut off from lending, and that investors, aware of this, are less likely to cut off lending.

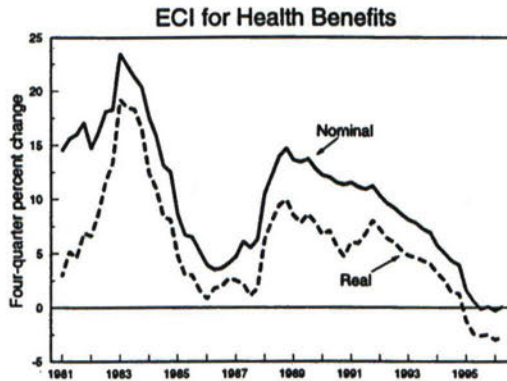
Mexico's current account deficits in the early 1990s were accompanied by a real appreciation of the peso. Mexican inflation was greater than that of Mexico's trading partners, leading to gradually increasing relative costs of Mexican goods. This, together with political instability in Mexico in 1994 and the increase in U.S. interest rates, caused speculation against the peso. Thailand's real exchange rate, by contrast, has been stable throughout the 1990s.

Conclusion. Thailand's reliance on short-term foreign capital inflows clearly poses dangers. But the underlying economy is strong, and international investors are less likely to lose confidence in it the way they sometimes have with Mexico.

ARTICLE

Why Have Increases in Employer Health Benefit Costs Slowed?

Employers have recently seen a marked slowdown in the rate of increase of health benefit costs. Over the last 4 years, the health benefit component of the employment cost index (ECI) has risen just 0.9 percentage point per year faster than the consumer price index. During the last 2 years, it has fallen in real terms (see upper chart).

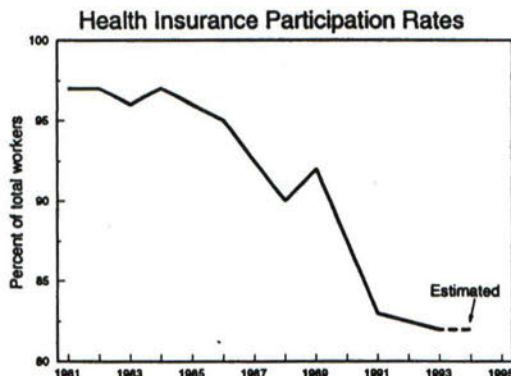


Two popular explanations—reductions in employer health insurance coverage and shifting of health costs to employees—do not work, because the timing is wrong. The direct and indirect impacts of managed care, however, may be an important part of the story.

*Not necessarily
same lag time*

Wrong timing. Most of the decline in coverage and shifting of costs from employers to employees occurred in the late 1980s and early 1990s.

- **Coverage.** Insurance coverage for persons in permanent full-time jobs with medium or large employers fell from 97 percent in 1985 to 83 percent in 1991.



The last official data are from 1993, but it appears that this participation rate has not changed much since 1991 (see lower chart). Similarly, coverage rates of all wage and salary workers have actually increased slightly since 1991. In recent years, employers have cut back on coverage for retirees, but the number affected is too small to explain the recent slowdown.

- **Cost shifting.** Employers can shift cost by raising premiums or increasing deductibles and co-payments. Between 1988 and 1992, the percentage of workers whose employers fully financed family health insurance fell from 37 percent to 29 percent, with corresponding decreases for single coverage. Since then, this percentage has changed little. Moreover, the size of employee contributions has not increased markedly in recent years; neither have deductibles and co-payments. As with coverage, the timing of cost-shifting is inconsistent with the timing of the slowdown in health benefit cost increases.

Managed care. Although the causes of slower growth in health care costs are not fully understood, the move to managed care probably helps explain a lot. More is going on, however, than just a switch from expensive indemnity plans to cheaper managed care providers, because cost increases have also slowed in fee-for-service plans. Competition from HMOs may well be causing traditional plans to become more efficient.

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Decline in Purchasing Power of Welfare Checks Documented. Average monthly AFDC benefits have declined by nearly 50 percent when adjusted for inflation over the past 25 years, according to the latest edition of the House Ways and Means Committee's *Green Book*. In the median state, the maximum welfare payment for a 3-person family in January 1996 was \$389, down from \$728 (constant 1996 dollars) in 1970. For some states, the reduction has been even more dramatic. For example, the maximum benefit of \$188 in Texas in 1996 is 68 percent lower than its 1970 value of \$586. Food stamp benefits have risen to offset part of the decline in real AFDC benefits. But even so, combined maximum AFDC-food stamp benefits for a 3-person family dropped by more than a quarter in real terms, from \$962 in July 1972 to \$699 in January 1996. The *Green Book*, a widely used compendium of background material and data on social programs—including Medicare, Social Security, and welfare—is back in publication after a year lapse.

Communication Boosts 401(k) Participation. Employees who receive targeted communications and specific advice about their company's 401(k) plan save 2 percentage points more of their income than those who do not get such information, according to a new study. Targeted communications raise saving and participation levels just as much as an increase in the employer match rate from 25 percent to 100 percent, but at a fraction of the cost to the company. A targeted approach is necessary to get non-highly compensated employees, who generally have lower participation rates in 401(k) plans, to enroll. And, given "non-discrimination" rules for pensions, greater participation among low-paid workers often permits higher-paid managers to contribute greater tax-deferred amounts to their own pension plans.

Effects of U.S. Cigarette Exports on Smoking in Asia. A recent study reports that, between 1975 and 1994, U.S. cigarette consumption fell more than 20 percent in response to a variety of public health policies. During the same period, U.S. cigarette production increased 11 percent. Why the difference? Domestic producers increased their exports to several Asian markets in the mid- to late 1980s under Section 301 of the 1974 Trade Act. The study finds that in 1991 per capita cigarette consumption was nearly 10 percent higher in recently opened Asian markets than it would have been if the markets had remained closed to U.S. cigarettes. One explanation is that U.S. imports introduced competition into cigarette industries that were formerly government-run monopolies. (These government monopolies charged higher prices—the economic equivalent of cigarette taxes levied in the United States. One difference is that these government monopolies discriminated against imports, which excise taxes do not.) Price reductions induced by competition would be expected to increase smoking. Another reason for the increase could be the competition-induced expansion of marketing campaigns, which some say were aimed at recruiting new smokers, primarily women and teenagers.

INTERNATIONAL ROUNDUP

UK and EU Clash Once Again. After a bitter debate over the banning of British beef following the mad cow disease scare, the UK and the EU are at loggerheads once again. Last week, the European Court of Justice dismissed a British challenge to a European directive that limits working time to 48 hours per week and entitles every worker to paid annual leave of at least 3 weeks. The British government has threatened to hold up all progress on further European integration until the ruling is changed. In response, senior EU officials have reportedly characterized Britain as favoring a sweatshop economy. As the UK did not sign the social chapter of the 1992 Maastricht Treaty, it has remained outside the purview of most European regulations on working conditions. The British government has repeatedly pointed out that Europe can learn from its flexible, deregulated labor market. In the EU as a whole, 18 million people are currently out of work, nearly 11 percent of the labor force. The average unemployment rate for youth (under 25) is 21 percent. Britain's unemployment has fallen to 8.1 percent overall, and 15 percent for young people.

International Bankers Report on Policy Implications of Electronic Money. Electronic money—or “e-money,” like the “smart cards” promoted at the Atlanta Olympics, could potentially affect the demand for money and the formulation of monetary policy, according to a recent study by the Bank for International Settlements (BIS). The study finds that if households substituted e-money for other monetary assets, the usefulness of the monetary aggregates as policy targets or indicators could be temporarily reduced. The report also noted that, to the extent e-money substitutes for reservable bank deposits, the resulting decline in the volume of reserves could affect the procedures used by central banks to set money market interest rates.

International Oil Consortium To Sign Long-Awaited Deal on Kazak Pipeline Project. Last week in Moscow, negotiators concluded a major international agreement to build a \$1.5 billion pipeline. The so-called Caspian Pipeline Consortium (CPC) is composed of the governments of Russia, Kazakhstan, and Oman in addition to Chevron, Mobil, the Russian giant Lukoil, and other international oil companies. The pipeline will connect the huge Kazak oil fields in Tengiz on the Caspian Sea with a new terminal to be built on the Black Sea near the Russian city of Novorossiysk. Its ultimate capacity is estimated at 67 million tons of oil per year. The new pipeline will help clear a bottleneck that has discouraged the development of Kazakhstan's significant oil reserves. Chevron's partnership with the Republic of Kazakhstan was formed in 1993 as a 40-year, \$20 billion joint venture; it is one of the largest joint ventures in the former Soviet Union.

RELEASES THIS WEEK

U.S. International Trade in Goods and Services

The goods and services trade deficit rose to \$11.3 billion in September from \$10.3 billion in August.

Housing Starts

Housing starts decreased 5 percent in October to 1.37 million units at an annual rate. For the first 10 months of 1996, starts were up 10 percent compared with the same period a year ago.

MAJOR RELEASES NEXT WEEK

Consumer Confidence—Conference Board (Tuesday)
Advance Durable Shipments and Orders (Wednesday)
Gross Domestic Product (Wednesday)

U.S. ECONOMIC STATISTICS

	1970- 1993	1995	1996:1	1996:2	1996:3
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	1.3	2.0	4.7	2.2
GDP chain-type price index	5.3	2.5	2.3	2.2	1.9
<u>Nonfarm business (NFB) sector:</u>					
Productivity (chain-type)	1.5	0.3	1.7	0.5	0.2
Real compensation per hour:					
Using CPI	0.6	1.4	0.0	0.0	1.6
Using NFB deflator	1.3	2.1	2.0	2.0	2.7
Shares of Nominal GDP (percent)					
Business fixed investment	10.9	10.2	10.4	10.3	10.5
Residential investment	4.5	4.0	4.1	4.2	4.1
Exports	8.2	11.1	11.3	11.3	11.1
Imports	9.2	12.4	12.5	12.6	12.6
Personal saving	5.1	3.4	3.6	3.2	4.0
Federal surplus	-2.7	-2.2	-2.1	-1.7	N.A.
	1970- 1993	1995	Aug. 1996	Sept. 1996	Oct. 1996
Unemployment Rate	6.7**	5.6**	5.1	5.2	5.2
Payroll employment (thousands)					
increase per month			280	-35	210
increase since Jan. 1993					10703
Inflation (percent per period)					
CPI	5.8	2.5	0.1	0.3	0.3
PPI-Finished goods	5.0	2.3	0.3	0.2	0.4

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

FINANCIAL STATISTICS

	1994	1995	Sept. 1996	Oct. 1996	Nov. 21, 1996
Dow-Jones Industrial Average	3794	4494	5804	5996	6418
Interest Rates					
3-month T-bill	4.25	5.49	5.09	4.99	5.04
10-year T-bond	7.09	6.57	6.83	6.53	6.15
Mortgage rate, 30-year fixed	8.35	7.95	8.23	7.92	7.53
Prime rate	7.15	8.83	8.25	8.25	8.25

INTERNATIONAL STATISTICS

Exchange Rates	Current level Nov. 21, 1996	Percent Change from	
		Week ago	Year ago
Deutschemark-Dollar	1.498	-0.7	6.3
Yen-Dollar	111.4	0.1	9.6
Multilateral \$ (Mar. 1973=100)	86.27	-0.6	2.9

International Comparisons	Real GDP growth (last 4 quarters)	Unemployment rate	CPI inflation (last 12 months)
United States	2.3 (Q3)	5.2 (Oct)	3.0 (Oct)
Canada	1.2 (Q2)	9.9 (Sept)	1.5 (Sept)
Japan	3.9 (Q2)	3.3 (Sept)	0.0 (Sept)
France	0.5 (Q2)	12.3 (Aug)	1.6 (Sept)
Germany	1.1 (Q2)	7.3 (Sept)	1.4 (Sept)
Italy	0.7 (Q2)	11.9 (Jul)	3.4 (Sept)
United Kingdom	2.4 (Q3)	8.0 (Sept)	2.1 (Sept)

THE WHITE HOUSE
WASHINGTON

November 27, 1996

Chon
THE PRESIDENT HAS LEFT

11-29-96

notes on
CUNER memo only
11-30-96

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN *TS*
HELEN HOWELL
PHIL CAPLAN *MC*

SUBJECT: Recent Information Items

We are forwarding the following recent information items:

(A) **Lake memo on NATO JSTARS decision and PM Major's response.** You wrote to Major in late October seeking support for an early NATO decision to procure JSTARS as the core of a NATO ground surveillance system (AGS). Tony notes Major's response (attached) is not "especially forthcoming." The British and the German prefer a slower approach rather than our "fast track" proposal of having a ground system on line by 2000. The NATO Conference of Armament Directors did not endorse "fast track" nor did it identify JSTARS as the core component, but the Conference did agree to set up an AGS project office with a decision on a specific AGS system set for next November. We would have preferred an outright decision designating JSTARS, but this outcome is acceptable and NSC thinks a "fast track" acquisition is still possible. (On a related note, the USAF deployed two JSTARS to Rhein AFB in German to support Bosnia operations.)

(B) **Mark Gearan memo on new Peace Corps Program in Jordan.** On October 28, Mark signed an agreement that will make it possible for Peace Corps volunteers to serve in Jordan for the first time. The first group of 25 volunteers will arrive in Jordan in April 1997. They will work in rural areas and focus on community development, income generation projects for Jordanian women, and strengthening the management of Jordan's national parks in order to encourage tourism.

(C) **Soderberg memo on response to Sgt. Jeffrey Tack letter.** You received a letter in mid-November from Sgt. Tack, a Gulf War veteran with Lou Gehrig's disease who believes his disease was caused by exposure to chemical agents during the war. You wanted his letter followed up and Nancy reports that the NSC's new Special Assistant for Gulf War Illness Affairs, Paul Busick, called Sgt. Tack and his mother to tell them that you are concerned, and that you have an interest in all veterans getting the care they deserve for their service-connected illnesses. He also mentioned that you've appointed an independent Presidential Advisory Committee which should report soon.

(D) **Pete Peterson congratulations letter.** "We are all very proud of you and of how you conducted the campaign. America will be a better place these next four years and I'm proud to be in a position to help you meet your goals."

(E) **Brochure from the Sol M. Linowitz Forum Inauguration dinner.** Mack's office thought you'd like to see the brochure of the Linowitz dinner, which you attended.

*Ben
Hun*

THE WHITE HOUSE
WASHINGTON

DATE: 11/29/96

NOTE FOR: SECRETARY ROBERT RUBIN

The President has reviewed the attached, and it is forwarded to you
for your:

Information ☒

Action ☐

The Honorable Robert Rubin
Secretary of the Treasury

Via special messenger

Thank you.

Staff Secretary
(x6-2702)

cc:

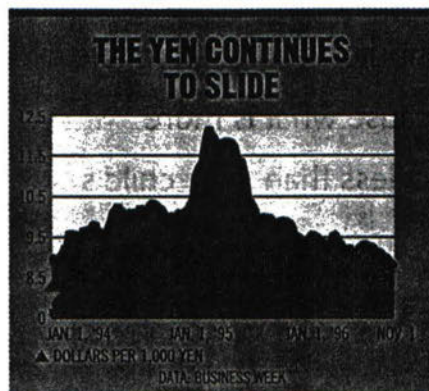
BY GENE KORETZ

LOW YEN, HIGH ANXIETY

Japan's rivals fear an unfair edge

It wasn't too long ago that global economy watchers were mesmerized by the unstoppable Japanese yen, which moved ever higher even as Japan's nominal trade surplus seemed to defy economic reality by continuing to grow. Now it's the yen's relentless slide in the wake of a falling surplus that is attracting attention—and stirring anxiety.

Not only is the yen down some 11% against the dollar since the start of the year but it recently touched a 42-month low that brought it 30% below its peak



value last April (chart). The big fear in many nations is that the yen's dramatic turnaround is putting Japanese companies in a position to win back share in global markets and reverse the progress made in cutting Japan's huge trade imbalance down to size.

Economist Joseph P. Quinlan of Dean Witter Reynolds Inc. points out that Japanese companies have restructured their operations to be profitable at an exchange rate of 95 to 100 yen to the dollar. With the yen currently trading about 14% below that range, "they have tremendous flexibility to employ aggressive pricing tactics in both the U.S. and Asia," he warns.

Among the potential casualties are U.S. auto makers, which have begun sounding off to government officials about the apparent efforts by Japanese authorities to weaken the yen (BW-Nov. 11). Aided by price cuts, imports of motor vehicles from Japan have been picking up steam, while exports of U.S.-made cars to Japan have stalled after rising rapidly in 1994 and 1995. Also at risk are U.S. computer companies, which

are facing a wave of cut-rate new models and products from Japan this year.

The yen's decline may have already exacted a heavy penalty on Asian exporters of electronic goods, computers, steel, and other products. In past years, the strong yen gave a big leg up to such producers by undercutting Japanese competitiveness. But now that advantage is fast evaporating. "Developing Asia's sharp slowdown in export growth this year is due in large part to a weaker yen," says Quinlan.

The ultimate danger is that a weak yen could undermine Japan's commitment to continue to pursue deregulation and widespread structural reforms. And it could inspire Japanese manufacturers to cut back on their foreign direct-investment programs—which have been a key ingredient in the economic emergence of developing Asia over the past decade.

"If that were to happen and Japan's trade surplus took off again," warns Quinlan, "we would be back to square one—bitter wrangling with the Japanese over trade policy and threats of retaliation, not only by the U.S. but by Japan's other trading partners."

At least one economist, Robert J. Barbera of Hoenig & Co., thinks such risks are exaggerated because "currency-market vigilantes would quickly push the yen higher if Japan's trade surplus began to grow again." He may well be right. But until the yen stabilizes and regains some ground, a lot of Japan's competitors and trading partners will be suffering some sleepless nights.

A BOOZE BLAST AT ANY COST

College demand defies price hikes

Economists have long found that demand for alcohol among both youths and adults is relatively price-elastic—that is, a rise in the price of booze will cause close to an equivalent decline in consumption. College students are apparently a glaring exception to this rule, though, reports the current issue of *Contemporary Economic Policy*.

In a study based on a 1993 survey of students at 140 U.S. colleges, Frank J. Chaloupka of the University of Illinois and Henry Wechsler of Harvard University found that prices had no significant effect on male students' consumption. And while prices did have a statistically significant effect on women's drinking, it was relatively small.

The researchers estimate, for example, that doubling of the price of booze would cut alcohol intake among co-eds by just 3%, to 17%. And it would reduce episodes of binge drinking—downing at least four drinks at a time—by only 22% to 25%.

Social pressures may explain college students' insensitivity to price—and the fact that they are significantly more likely to engage in excessive drinking than their noncollege peers. One notable finding of the study was that living on-campus and/or participating in a fraternity or sorority were positively correlated with alcohol abuse.

CHILE BOOSTS SOCIAL OUTLAYS

It's investing in human capital

Market-oriented macroeconomic policies and structural reforms may have produced Chile's economic "miracle," but that doesn't mean the nation has stinted on social spending. As a recent International Monetary Fund report notes, "a commitment to ameliorate social conditions has complemented broad-based economic progress."

According to the IMF, social spending increased from 55% of public expenditures in 1990 to 61% in 1995, even as overall public spending was cut from 23.3% of gross domestic product to 20.9%. While much of the higher social outlays went for health, education, and housing, the government also increased transfers to the poor through family allowances and minimum pensions.

The upshot is that the poverty rate was cut by 30% in just four years

(chart). Illiteracy has been reduced to less than 5%, and primary education has become virtually universal.

Recognizing the key role of human capital in achieving its economic and social goals, Chile's latest gambit is sweeping educational reform. Recently passed legislation calls for a rise in school hours, curriculum updating, increased training, higher pay for teachers, and a major school-construction program to relieve overcrowding and double shifts.



Retirement revolution

Many countries are banking on private pension plans to raise savings rates and spur economic growth. Does Chile's reform show the way?

SANTIAGO, the capital of Chile, may seem an unlikely place of pilgrimage, but for economists it has become something of a Mecca. Fifteen years ago, Chile privatised its pension system. Many argue that this pioneering reform underpinned the country's subsequent economic success, especially the spectacular rise in its national savings rate, from 8.2% of GDP in 1981 to 27.6% in 1995.

Small wonder, then, that other Latin American countries, including Argentina, Colombia and Peru, have already adopted watered-down versions of the Chilean reform. Several Eastern European countries are considering similar systems. Their hope is that privatising pensions will lead to higher savings which will, in turn, boost investment and lead to faster growth. But is that really the lesson of Chile?

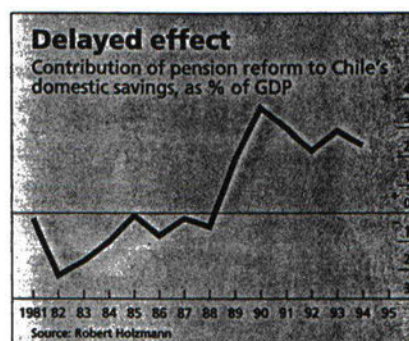
The purpose of Chile's reform was to replace a near-bankrupt public pension system with one based on individual retirement accounts. Workers were required to provide for their own retirement by putting at least 10% of their salaries into privately managed (but heavily regulated) pension funds. A worker's pension will depend on how much he pays into his fund and the returns the fund earns—not on what the government promises. This makes it a "defined contribution" system. Most public pension schemes, in contrast, are "defined benefit" systems, in which the state guarantees a particular pension regardless of how much a worker has paid in. In Chile the state guarantees only a minimum benefit as a safety-net.

In theory, the shift to a fully funded, private pension system yields several benefits (quite apart from preventing governments penalising future generations through their generosity to current ones). The first is that savings rates may rise if, for instance, the minimum contribution a worker must make to his pension fund is more than he would voluntarily save, or if the higher returns earned by these funds prompt him to save more. Second, the financial sector may benefit as competition between pension funds creates more efficient capital markets. And third, labour-market distortions may also be reduced: whereas a pay-as-you-go system encourages employers to hire "informal" or unregistered workers to avoid paying the payroll tax, a private system gives

ECONOMICS FOCUS

workers an incentive to work on the books so they can contribute to their own retirement accounts.

Each of these effects seems to be occurring in Chile. The national savings rate has almost quadrupled and is now easily the highest in Latin America. Today's stockmarket capitalisation is over 100% of GDP, up from 24% in 1986. Chile is the only country in the region with an active long-term corporate-bond market. Employment in legally registered jobs has in-



creased sharply.

But correlation does not prove causation. Many other reforms, such as trade liberalisation and privatisation, were also taking place in Chile. So how much was pension reform responsible for the transformation?

Right means, wrong reasons

The answer, suggests Robert Holzmann, an economist at the University of the Saarland, in Germany, is that the pension reform deserves only part of the credit. In a recent paper*, he notes that private pensions have been good for Chile—but not for the reasons many of their more avid enthusiasts claim.

The growth of pension funds has been extraordinarily positive for Chile's financial markets. The stockmarket index, for instance, began a sharp rise in 1985, the first year that pension funds were allowed to invest in equities. Trading in stocks and bonds has grown in line with pension-fund assets, suggesting that the funds are a big source of market liquidity,

* "Pension Reform, Financial Market Development, and Economic Growth: Preliminary Evidence from Chile." IMF Working Paper WP/96/94. August 1996

THE PRESIDENT HAS SEEN

11-27-96

even if they account for only a small proportion of total shareholdings.

The reform's impact on savings, however, has been mixed. Mr Holzmann calculated how much private saving the new funds directly generated by adding up the flow of money into pension funds and the returns they reaped. Then he subtracted the direct loss of savings due to reform. This includes the public spending involved in providing pensions to people who retired under the old system, as the government no longer receives new contributions from current workers to pay pensioners. It also includes the cost of compensating workers who switched to private funds for the payments they had previously made into the old system. Subtract these lost savings from the new savings directly generated by the pension funds, and the overall direct impact of pension funds on saving was actually negative between 1981 and 1988 (see chart). Surprisingly, Chile's national savings rate rose in that time despite, rather than because of, the new pension scheme. Only after pension reform had been in effect for eight years did it cause the savings rate to rise.

But looking at the direct effect alone is misleading, Mr Holzmann says. The reform had two big indirect—and positive—effects on saving. The first was through fiscal policy. Chile financed most of the transition costs to a new retirement system by cutting expenditure elsewhere. This raised the savings rate directly because the public sector's surplus or deficit is a big part of national saving.

The other indirect link was via the boost private pensions gave to financial and labour markets. Deeper, more liquid capital markets, for instance, almost certainly helped boost Chile's growth by increasing the efficiency with which savings were used. And higher growth, in turn, can itself lead to higher savings. Chile's savings rate started to rise in the mid-1980s, just as its growth rate took off.

So, three cheers for pension reform? Wait, Mr Holzmann says. While it was straightening out Chile's pension mess, the government was also busy tightening its budget belt. This increase in government saving, Mr Holzmann argues, underlies much of Chile's economic advance. That is important for countries seeking to replicate Chile's success. Chilean-style pension reform is an excellent idea, but the switch to private pension funds alone will not boost savings quickly. That requires sound fiscal policy.

11/29/96

Phil,

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GEORGETOWN UNIVERSITY

*Staff Sec.
JF*

The University Library

'96 NOV 29 PM 12:00

November 19, 1996

Dear Friend:

The Joseph Mark Lauinger Memorial Library invites you to celebrate a special occasion, acknowledge an accomplishment, or provide a memorial tribute, by participating in a new program - **Honor With Books**.

Your minimum contribution of \$50.00 will allow the Library to purchase a book for its collections. A bookplate bearing your name and the name of the person you are honoring will be placed in the book. An acknowledgment of your thoughtfulness will be sent to the honoree or to the family.

Your gift to the Library is considered an annual fund gift and will be recognized accordingly by the University. Also, if you are affiliated with a matching gift company, please take advantage of this benefit and enclose the appropriate form. All contributions to Georgetown University are deductible to the extent allowed by law. The enclosed brochure explains all the benefits of this new and exciting program. If you have additional questions about **Honor With Books**, please contact Ms. Melanie Savage at 202-687-7446; write her at: The Lauinger Library, Georgetown University, 3700 O Street, N.W., Washington, DC 20057; or via e-mail: savagem@gunet.georgetown.edu.

A book is a monument to the spirit of inquiry and knowledge. We hope you will consider **Honor With Books** a fitting way to provide a lasting tribute as you provide much needed support for the Library.

Sincerely,

Susan K. Martin

Susan K. Martin, Ph.D.
University Librarian

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