

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
3/24/97

March 22, 1997

MR. PRESIDENT:

Attached are the following weekly information items:

- (A) Interest Rates and the Stock Market
- (B) CEA Weekly Economic Briefing *copied Yellen, Baules*
- (C) NEC Report *copied Baules, Sperling*
- (D) DPC Report *copied Reed, Baules*
- (E) CEQ Report *copied McGinty, Baules*
- (F) Emanuel Report *copied Baules, Emanuel*
- (G) Intergovernmental Report *copied Hale, Baules*
- (H) Legislative Report
- (I) Cabinet Report *copied Hale, Baules, Higgins*
- (J) Political Report *copied Smith, Baules*

Phil Caplan
Phil

Chron

3/24/97

(H)

Congressional Correspondence. *Sen. Dale Bumpers:* "Hope the pain subsides. I've damned near killed myself a half-dozen times the same way." *Sen. Dianne Feinstein:* "Take care and recover quickly...know you have many friends on the Hill. I despair each morning when I read the ribald 'guilt by association' that seems ever present...be of strong heart." *Rep. Saxby Chambers:* "Sorry about your knee. At our age, we need all our wheels in good shape." *Rep. Solomon Ortiz:* "Best wishes on a speedy recovery." *Rep. Amo Houghton:* "Sorry to hear about your fall, hope you'll be back in full stride soon."

(I)

Letter from Paul Dimond. He enjoyed seeing you in Lansing, and thanks you for the University of Michigan football you gave him as a going away gift. He also forwards a copy of the humorous farewell remarks he gave at the party Gene Sperling threw for him. *(You signed the response to his resignation letter this week.)*

(J)

Press clips on School Construction. Via Gene Sperling who notes that the efforts by the VP, Education, and WH offices in working to get the school construction story out paid off in regional newspaper coverage.

We have also received the following items:

Sperling memo on Tom Jones. You saw a recent article on Jones, who is Vice Chair and President of the TIAA-CREF pension fund. Several on the Economic team have been impressed with Jones. Gene called him, after consulting with Nash, to see if he was open to a position on the Federal Reserve or something else. Jones is not interested in full-time employment with the administration but would be amenable to serving on advisory Commission or another less-than-full-time activity. Gene notes that he would be a natural for a Social Security Commission if we were to ever call for one.

Paul Taylor, Executive Director of FREE TV, thank you note. Via Rahm. "[Y]ou not only gave a great speech, but you took a really smart step by moving the free time issue over to the FCC." You raised the stakes in a way that will force the broadcasters to the table.

Sec. Glickman note wishing you well. He and Rhoda were sorry to learn of your fall.

THE WHITE HOUSE
WASHINGTON

March 20, 1997

97-0371-1246

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

RE: Tom Jones

cc: BOB NASH

Several of us on the Economic team have been impressed with Tom Jones. I called him in the last couple of weeks after consulting with Bob Nash to see if he was interested in a position on the Federal Reserve and if he wasn't, to see if another position would be of interest.

He indicated that he felt tied to his current home and family situation and was not interested in full-time employment with the Administration, but would be amenable to participating in an advisory commission or other activity for the Administration less than full time. He certainly would be a natural if we were to ever call for a Social Security Commission.

THE WHITE HOUSE
WASHINGTON

March 19, 1997

THE PRESIDENT HAS SEEN
3/24/97

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

**RE: Cover Note to Memo on GDP price
index and CPI**

In the Budget leadership meeting, you mentioned that the gap between the GDP price index and the CPI was 0.9 percentage points in 1996. Over longer periods of time, that gap has been significantly smaller -- for example, it was 0.4 percentage points over the past 5 years.

As the attached memorandum argues, however, the price index most comparable to the CPI is a sub-component of the GDP price index -- known as the PCE price index. It tends to grow slightly faster than the overall GDP price index. The gap between the PCE price index and the CPI has been 0.3 percentage points over the past 5 years, and 0.1 percentage points over the past 35 years.

THE WHITE HOUSE

WASHINGTON

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March 19, 1997

THE PRESIDENT HAS SEEN
3124197

MEMORANDUM TO THE PRESIDENT

FROM: GENE SPERLING
JANET YELLEN

SUBJECT: Alternative measures of inflation for indexation purposes

You asked about using a GDP-based measure of inflation for indexation purposes. This memorandum explores such an option. As we explain below, we would not recommend using the GDP price index for indexation purposes. A sub-component of the GDP price index that focuses specifically on consumption prices also raises a number of problems, but may be worth considering.

The CPI and the current indexation system

Since 1975, Social Security benefits have been formally indexed to the Consumer Price Index for all Wage Earners (CPI-W). The choice of the CPI-W was arbitrary. Some analysts believe that it was chosen because the CPI was the most widely understood measure of inflation, and the CPI-U -- which is more common today -- was not officially published until 1978. Since 1985, the tax code has been indexed to the CPI-U.

GDP-based measures of inflation

The Bureau of Economic Analysis produces an alternative set of price indices that are linked to the GDP accounts. The GDP price index is the most comprehensive measure of price changes in the economy, reflecting the prices of final goods and services produced in the United States. Because it focuses on production rather than consumption, it includes the prices of investment goods, exports, and government services, and excludes the prices of imports. *In other words, the GDP price index does not accurately reflect the cost-of-living for households because, in addition to measuring the prices of consumer goods, it also measures the prices of items like supercomputers and airplanes that are purchased by firms and the government -- not households.* And the prices of investment goods -- which include computers -- have been rising relatively slowly. Thus the GDP price index may be seen as understating increases in the cost of living for consumers, and we would not recommend using the GDP price index for indexation purposes.

PCE price index

The Bureau of Economic Analysis, however, also calculates a price index that focuses on the prices of consumer goods. It is called the price index for personal consumption expenditures (PCE), and economists sometimes use it as a measure of consumer price inflation. The PCE price index generally uses the same detailed data as the CPI, but the indices are somewhat different. First, the PCE price index covers a slightly different basket of goods and services than the CPI: for example, the PCE price index covers all medical expenditures, whereas the CPI only covers out-of-pocket expenditures. Perhaps more importantly, the PCE price index is calculated with a different formula that corrects for a portion of the upper-level substitution bias in the CPI (the total upper-level bias amounts to 0.15 percentage points per year). It does not, however, correct for the lower-level substitution bias. And even with respect to the correction for upper-level bias, the implementation process is lagged. The PCE price index for 1996, for example, will not correct for upper-level substitution bias until it is revised in the summer of 1997.

Implications of using the PCE price index

Over past 30 years, the PCE price index has grown about 0.1 percentage point slower than the CPI. Over the past 5 years, however, the PCE price index has grown 0.3 percentage point per year slower than the CPI. The differential varies from year to year, however, and we have no firm basis for making a projection into the future.

We see no strong theoretical argument against using the PCE price index rather than the CPI for indexation purposes, especially since the choice of the CPI itself was somewhat arbitrary. Potential problems, however, include:

- Revisions. The PCE price index is revised. In contrast, the current CPI is never revised, simplifying the indexation process. (The non-seasonally adjusted CPI indices are used for indexation. Only the seasonally adjusted CPI indices are revised by the BLS.) Admittedly, the alternative cost-of-living index that BLS may be willing to publish may also be revised -- and thus may pose the same potential problems as the PCE price index.
- Lags. When the Social Security and tax system indexation increases are set for the upcoming year, the upper-level substitution corrections are not yet included in the PCE price index for the relevant year. Those corrections are available only after the COLA and tax changes would have taken effect -- reinforcing the importance of the revision process noted above. It may be possible to solve this lag problem, but the solutions would inevitably be complicated and lacking in transparency for the public at large.
- Subjectivity. Staff at the Bureau of Economic Analysis are forced to use more subjective judgments in constructing the PCE price index than the BLS staff use in constructing the CPI.

- Inertia. Although the current indexation scheme is not optimal, it may be difficult to convince the public that the PCE index is more appropriate -- we could be seen as replacing one arbitrary metric with another.

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN

3/24/97

1997 MAR 17 4:21:10

March 17, 1997

RECOMMENDED TELEPHONE CALL

TO: Shea Ralph - Freshman guard on the University of Connecticut's top-ranked women's basketball team

DATE: As soon as possible

RECOMMENDED BY: Doug Sosnik
Counselor to the President

BACKGROUND: Shea Ralph, a freshman guard on the University of Connecticut's top-ranked women's basketball team tore her anterior cruciate ligament in her knee on Saturday March 15th. Surgery will be required on her knee. Ms. Ralph is the Big East rookie of the year.

Similar to your rehabilitation, Ms. Ralph faces a 6-9 month recovery period.

See attached article for further background.

TOPICS OF DISCUSSION: 1. Wish her good luck on her impending surgery and on her quest to return to the basketball court in 6 months.

CONTACT PERSON AND
TELEPHONE NUMBER: Women's Athletic Department - (860) 486-4756

DATE OF SUBMISSION: March 17, 1997

ACTION:

Call to
Shea Ralph
Freshman Guard on
University of Connecticut
women's basketball team
re knee injury
Call ASAP

March 18, 1997

Mr. President:

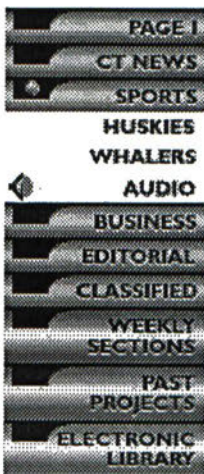
UConn women beat
Iowa 72-53 last
night.

Phil Caplan

THE PRESIDENT HAS SEEN

3/24/97

Monday
March 17



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The Hartford Courant

Huskies lose freshman for rest of season

By JOHN ALTAVILLA

This story ran in the Courant March 17, 1997

STORRS - Those around UConn's top- ranked women's basketball program have worn their knuckles raw banging on wood with worry about serious injuries. For years it's worked, like garlic against a vampire. A sprain here, a virus there, a swollen nose. Nothing to really be concerned with.

Saturday night, whatever mystical power has kept the Huskies healthy through three consecutive Final Four runs suddenly faded, leaving freshman guard Shea Ralph crumpled under their basket in the first half of their NCAA Midwest Regional victory over Lehigh at Gampel Pavilion.

Sunday, UConn received the worst possible news about Ralph, their Big East rookie of the year, third-leading scorer and spiritual barometer. Her right knee wasn't just sprained. A magnetic resonance imaging at Windham Hospital revealed a torn anterior cruciate ligament. Surgery will be required. Ralph will not play again this season.

"In my mind, I've always had the fear of injuring my ACL," Ralph said. "Unfortunately, it did happen to me. It happened on a fastbreak. I stopped. The top of my leg went one way, the bottom went the other. But I'm a freshman, I have three more years. What I'm going to do is concentrate this summer on getting better and I'm going to come back even stronger."

Ralph's mother, Marsha Mann, a former All-American at North Carolina, will arrive in Storrs today from their home in Fayetteville, N.C. The family will then consult with Dr. Jeffrey Anderson, UConn's director of sports medicine.

"The next step is to select a surgery date," Anderson said. "Once the surgery is completed, the rehabilitation period for ACL surgery is an average of six months - six months being the time before the injured person returns to his or her previous level of play. We don't set the clock at six months; each individual responds differently."

Said Ralph: "The doctors have told me four to nine months. If it's up to me, it'll be four months. And anyway, I'm just one player on this team. I don't want anyone to think that because I've damaged my ACL that it would dampen the spirits of my teammates."

The diagnosis did not surprise anyone. Injuries like this have claimed two other high-profile point guards this season - Tennessee sophomore Kellie Jolly and Georgia freshman Kiesha Brown. Jolly was injured Oct. 14 and returned in late January. Brown was injured in December and has not returned.

"[Ralph's] spirits were good," UConn senior Carla Berube said. "We told her we planned on winning for her."

Then UConn, the top seed in the Midwest Regional, got busy trying to deal with the business at hand, a second-round game tonight against ninth-seeded Iowa (18-11) at Gampel Pavilion.

The Hawkeyes, Big Ten champions and winners of seven in a row, are blessed with abundant size (four players 6 feet 4 or taller), excellent athleticism and significant motivation.

The regionals will be held Saturday and Monday at Carver-Hawkeye Arena in Iowa City, Iowa, the Hawkeyes' home court. They are not shy about saying how much they want to be there. In uniform.

"You want to get back to the people who have given you so much," Iowa coach Angie Lee said. "Those people are in Iowa City for us. We want to get back there and give some more to them."

UConn coach Geno Auriemma understands what the loss of Ralph means, tactically and emotionally.

"Shea's injury will have a huge impact on us in purely basketball terms," he said. "What you lose is versatility. Losing Shea is not like losing just one player. You lose a point guard, a scorer, a rebounder, an excellent passer. You're losing someone who can easily score 20 if you need it."

"Losing Shea means we'll have to change much about what we do. I don't really know the eventual effect this will all have on our kids. But hopefully we'll find a way to band together, find a way to compete. I'm sure we'll be able to do that."

Ralph's injury could mean Nykesha Sales will be asked to back up Rita Williams at the point.

"Coach mentioned that to me [Saturday]," said Sales, who had 15 points and nine steals in 22 minutes as UConn defeated 16th-seeded Lehigh, 103-35. "I tried bringing the ball up the floor a little and he said I'd

probably have to be doing it a whole lot more. The thing is, Shea does a lot of things for us; she penetrates, she rebounds, she does the little things every team needs done for it. I hope someone steps in those areas for her."

Ralph's playing time (21.8 minutes), point production (11.4) and rebounding (4.5) will need to be replenished through more time for the starting five and Paige Sauer, or by incorporating players such as freshman Stacy Hansmeyer and senior tri-captain Missy Rose.

"It could work either way for UConn," Lee said. "It could lift them to move forward. Or it could drive them to push too hard. I don't know their players well enough to know what will happen."

Said Auriemma: "It's a part of life, a part of basketball, a part of sports. But the poise Shea has shown through this is the same poise that's helped her play the way she has for us."



Email The Editor

SEARCHCOURANT



THE PRESIDENT HAS SEEN
3/24/97

THE WHITE HOUSE
WASHINGTON

'97 MAR 11 PM 2:51

March 11, 1997

RECOMMENDED TELEPHONE CALL

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TO: John A. Young 415/857-2114
Co-Chair, President's Committee of Advisors on Science and
Technology (PCAST)
(former CEO Hewlett-Packard Co.)

DATE: March 11-13, 1997 (12:00 p.m. - 8:00 p.m. EST)

RECOMMENDED BY: John H. Gibbons 

PURPOSE: Thank John for serving as Co-Chair for the past 2 years and request
that John serve as Co-Chair for an additional year.

BACKGROUND: John Young has led PCAST in an outstanding manner over the
past 2 years. This leadership has resulted in the delivery of
specific recommendations to the President on a number of highly
significant and timely science and technology topics, e.g., fissile
materials, government-university partnership, educational
technologies, sustainable development, and academic health
centers.

TOPICS OF DISCUSSION: 1. Thank John for his leadership of PCAST over the past 2 years
and for his service to the Administration on science and technology
issues
2. Acknowledge that PCAST's advice on various topics (most
recently cloning) is very helpful
3. Request that he continue to serve as Co-Chair of PCAST with
Jack Gibbons for another year
4. State that the President is looking forward to meeting with
PCAST on June 10.

CONTACT PERSON AND
TELEPHONE NUMBER: Angela Phillips Diaz 6-6100

DATE OF SUBMISSION: March 11, 1997

ACTION: _____

Call to
John A. Young
to thank for
serving as Co-Chair
of PCAST
THE PRESIDENT HAS SEEN
3/24/97
Call to be made
March 11-13 1997

March 19, 1997

RECOMMENDED TELEPHONE CALL

TO: Senator Kennedy 
DATE: March 19, 1997.
RECOMMENDED BY: Todd Stern 
PURPOSE: To thank Senator Kennedy for the outstanding job he did in orchestrating Alexis's confirmation hearing.

BACKGROUND:

Alexis had a terrific hearing yesterday, answering a broad range of policy and investigative questions with aplomb and taking a large step toward confirmation. We're not all the way there yet, and we could still hit some bumpy spots along the way, but major progress was made.

Senator Kennedy has been masterful both in the period leading up to the hearing and at the hearing itself. Thanks in significant part to Kennedy's determined behind-the-scenes efforts, Senator Jeffords has now publicly committed himself to a prompt Committee vote upon the Senate's return from the Easter recess. As you recall, Kennedy originally favored Sen. Wofford for Labor, but ever since you decided on Alexis, he has been a complete stalwart in pushing for her confirmation. And his key staff person -- Mark Childress -- who worked with John Podesta on Elders and Foster and whom Kennedy brought back from the private sector just to work on this nomination, is as talented, committed and effective as anyone I've worked with. Incidentally, Kennedy called Erskine this morning to report on the hearing, but it would be a very fitting gesture for you to put in a brief word of thanks.

TALKING POINTS:

I understand Alexis's hearing went very well.

I want to thank you for all your efforts. I know you've been working hard to get her confirmed and it looks like your efforts are paying off. Thank you for all you're doing.

Call to
Senator Kennedy
to thank for
outstanding job he
did re Alexis Herman's
hearing
THE PRESIDENT HAS SEEN
3/24/97

THE WHITE HOUSE

WASHINGTON

March 22, 1997

THE PRESIDENT HAS SEEN
3/24/97

MEMORANDUM FOR THE PRESIDENT:

FROM: PHIL CAPLAN *PC*
HELEN HOWELL

SUBJECT: Recent Information Items

forwarding the following recent information items:

Radd memo on judicial vacancies. Vicki forwards a new chart tracking status of potential candidates; the chart was prepared by Jon Yarowsky and reviewed by Chuck Ruff. By the end of April we will have over 40 nominations pending before the Senate -- 9 are there now and 10-15 will be ready soon. Vicki, Erskine and Chuck met with Senators Daschle and Leahy to discuss ways in which they could move their Democratic colleagues to submit district court recommendations as soon as possible. Daschle/Leahy agreed to meet with many Senators and have begun this process. Vicki reports that there are now additional resources at DOJ to expedite the review of district court nominations.

Raines follow-up on Headwaters and the Emergency Supplemental Budget Request. You asked whether we should include funding for the Headwaters settlement in the emergency supplemental sent to the Hill this week. OMB did consider this, but decided against it because: 1) there will be time to make a request later this year when we find out whether there is still a funding gap after the oil and gas property auction in early August; 2) the Headwaters land exchange is not related to a natural disaster, so it did not meet the main criteria for the supplemental; and 3) there has been no acceptable offset available. A number of issues still need to be worked out in financial package to cover the funding requirements of the Headwaters exchange including how to provide funding to California to offset their \$100 million loss of royalty revenues..

Higgins memo on public confidence in government. The results of a recent Peter Hart survey on public attitudes toward government were released yesterday. Good news -- the public views all levels of government more favorably than two years ago. Local government fares best. Other findings include: government is seen as less of a hindrance to achieving the American dream than two years ago; politics is the main obstacle to good government; government is more successful with the space program, the economy, the environment and health care, and civil rights; the government is seen as less successful with public education, poverty, crime, moral values, illegal immigration, and drug abuse.

3/24/97

(D)

Jennings follow-up on CEA suggestion to increase Medicaid Ob/Gyn payments to improve the health of infants. The February 21 CEA Weekly Economic Briefing suggested that a 50% rise in Medicaid reimbursements would decrease the incidence of low birth weight babies for women on Medicaid by more than 20%. Chris would recommend against such a policy because: 1) there is little evidence that such a policy would reduce poor birth outcomes; Medicaid reimbursement is one small contributor to addressing this problem -- more important would be increased funding for WIC, substance abuse and treatment and prevention, and abstinence education and family planning to prevent teen pregnancy; and 2) it would contradict our policy to provide states greater flexibility and avoid state mandates. *Please see memo for more details.*

(E)

Higgins update on Gulf War Illness. Your Advisory Committee on Persian Gulf War Veterans' Illness met in Salt Lake City on Tuesday. News coverage focused on: a CIA report that the agency had information as early as 1986 that chemical weapons were stored at Khamisiyah; chemical weapons were blown up in two separate incidents at the Khamisiyah pit area, one on March 10, 1991 and the other on March 12, 1991 (only one incident was previously reported); modeling done by the CIA and reviewed by the Institute for Defense Analysis suggests that the range of chemical exposure from the explosions at Khamisiyah may extend as far as 275 km. from the site (DOD previously estimated the range of exposure at 50 km.). The Committee concluded that the DOD and IA IG investigations may not be adequate. Their interim report is due to you April 30.

*copied
Spierling
Bowles*

Bowles follow-up on Indian Reservation Roads program. You flagged an entry in Interior's March 2 weekly report stating that this program is proposed to be funded at only \$125 million under NEXTEA (a 35% cut) greater than any other program in the Federal Lands Highway Program. It turns out that the \$125 million figure was a typo. The correct number is \$200 million -- a \$4 million increase over last year's level.

Need/Goosby update on status of needle exchange programs. On February 13, an independent report of an expert panel convened by NIH concluded that needle exchange programs are effective in reducing both HIV transmission and IV drug use, and recommended that the ban be lifted on the use of federal funds for needle exchange programs. On February 18, **HHS** sent a Congressionally requested report to the Senate Appropriations Committee reviewing the scientific data on needle exchange programs. The HHS report concluded that these programs can have an impact on getting difficult to reach populations into medical and support services, and as a component of a comprehensive strategy to prevent HIV. **Administration response.** The HHS, ONDCP, and the White House response to these two reports states that data on the effect of needle exchange programs in reducing HIV is solid, but data on the effect of these programs on drug use patterns is less clear. **Congressional climate and community expectations.** The AIDS community is seeking an end to the ban on federal funding of needle exchange programs. However, the Congressional response to any attempt to lift restrictions on funding would likely be hostile. What the AIDS community really wants from the Administration at this time is a strong indication that we will let science guide policy in combating HIV transmission.

3/24/97

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Bailes

Congressional Correspondence. *Sen. Dale Bumpers:* "Hope the pain subsides. I've damned near killed myself a half-dozen times the same way." *Sen. Dianne Feinstein:* "Take care and recover quickly...know you have many friends on the Hill. I despair each morning when I read the ribald 'guilt by association' that seems ever present...be of a strong heart." *Rep. Saxby Chambers:* "Sorry about your knee. At our age, we need all our wheels in good shape." *Rep. Solomon Ortiz:* "Best wishes on a speedy recovery." *Rep. Tom Houghton:* "Sorry to hear about your fall, hope you'll be back in full stride soon."

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3/24

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Bailes
Nash

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