

THE WHITE HOUSE
WASHINGTON

June 7, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN *TS*
PHIL CAPLAN

SUBJECT: Recent Information Items

*Doraskind -
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Coordinate
Reply*

We are forwarding the following recent information items:

- Bo
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F*
- (A) **Note and article from Fred DuVal.** In 1972, Fred's father, Dr. Merlin "Monte" DuVal, was the Assistant Secretary of Health at HHS and head of the Public Health Service; he was the official that ended the Tuskegee study. Fred forwards an article from the Arizona Republic explaining his father's role: "Dr. DuVal has been given credit for ending the study and helping survivors win relief. 'He was very key,' said Dr. David Satcher."
 - (B) **Secretary Cuomo memo on "Officer Next Door" program.** Sec. Cuomo has sent you a memo outlining his proposal for you to announce this program -- over the next year, HUD will make available approximately 3,000 HUD-owned, single family homes at a 40% discount in order to encourage city law enforcement officers to live in low- and moderate-income neighborhoods in which they work. *WH staff is very supportive of the proposal --* It almost became the subject of your radio address last Saturday, and may be the "news hook" part of your speech to the National Mayors Conference on June 23 in San Francisco.
 - (C) **Congressional Correspondence.** *Sen Robert Byrd:* thanking you for the invitation to accompany you to West Virginia and for choosing his state to highlight education; *Rep. Sam Farr:* applauding your West Virginia event and encouraging you to again visit the Cal State campus on the former Ft. Ord base in his district (where Leon teaches). Farr notes that the campus has a mandatory service learning requirement and that you should return to see the success of school you dedicated (and play golf at Pebble Beach); *Rep. Elijah Cummings:* thanking you for speaking at an HBCU and, in particular, for speaking at Morgan State.

We have also received the following item:

✓ **Outreach to federal workers in OKC.** You saw a front-page Washington Post article on how the McVeigh verdict didn't "end the pain" for many federal workers personally affected by the bombing. You asked Rahm if any further outreach should be done and who handles this on staff. Rahm forwarded your note to Kitty Higgins and will work with her on it.

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THE WHITE HOUSE
WASHINGTON

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June 6, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: KITTY HIGGINS *Kitty*
SUBJECT: Summary of Cabinet Weekly Reports
May 30 - June 6, 1997

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VP cover + 15

DEPARTMENT OF TREASURY

- **Electronic Tax Payment:** On June 2, the IRS announced that it would postpone penalties for six months on businesses that have not signed up for electronic deposit of their taxes. On June 2, the Vice President highlighted this penalty waiver at a small business event.
- **Bosnia:** On May 27 - 29, Assistant Secretary Lipton travelled to Bosnia with Special Representative Gelbard to assist in the resolution of outstanding pre-conditions for an IMF program. There was agreement on the central bank draft law by the joint presidency, and the other key elements needed for the negotiation of a Fund program. An IMF agreement will make possible the convening of the donors conference.
- **Africa Trip:** On May 26 - 30, Deputy Secretary Summers visited Cote d'Ivoire, South Africa, and Mozambique to promote the Administration's Africa Initiative and lead the U.S. delegation to the Annual Meeting of the African Development Bank. He came away encouraged at the increased commitment of sub-Saharan governments to market-oriented economic policies, as well as the increased interest of U.S. firms in doing business in the region. The response to the Administration's Africa Initiative was positive. A striking feature of the conversations at all stops were the many echoes of Ron Brown's trips to the region and his vision of U.S. partnership with the Africans in promoting trade and investment.

6-9-97

- **IRS:** On June 3, Deputy Secretary Summers spoke to the American Institute of Certified Public Accountants about the Administration's views on IRS reform. On June 5, the IRS Commission voted on its final recommendations. On June 25, the Commission is expected to announce these recommendations. The Commission is expected to recommend the establishment of an independent board of directors to oversee the IRS within Treasury. On June 4, Deputy Secretary Summers and General Counsel Knight met with Representative Coyne.
- **Church Arsons:** In anticipation of the anniversary of your June 8, 1996 radio address on church arsons and national reconciliation, the National Church Arson Task Force will issue its first year report on June 8 describing national efforts to identify and prosecute arsonists, rebuild burned houses of worship and prevent additional fires.
- **New \$50 Bill:** On June 12, Secretary Rubin will unveil the new design for the \$50 bill. The new design will include features to assist the visually impaired in identifying the bill. Treasury has done extensive outreach to groups representing the disabled, ensuring their input is included in the redesign.
- **District of Columbia:** On June 2, Treasury released a report on the environmental effects of closing Pennsylvania Avenue to vehicular traffic. The closing was ordered by Secretary Rubin based on recommendations of the White House Security Review. The assessment was published for a thirty day public comment period. On June 3, Speaker Gingrich called for the Avenue to be reopened to most traffic and Representative Norton has a proposal to allow tour buses access to the Avenue. This week, Representative Davis' subcommittee marked up the Administration's draft D.C. legislation. On June 2, Principal Deputy Assistant Secretary Thompson met with OMB and GSA to discuss project feasibility and other issues relating to the D.C. Convention Center financing. During the week of June 9, Treasury officials will meet with the Convention Center Authority and OMB to discuss the Authority's request that the Federal Government provide approximately \$160 million in credit enhancements to assist the construction of the new center.
- **Internet Access:** In response to your memorandum requiring all agencies to expand access to Internet-based educational resources, Treasury has developed a web page for kids. This education resource, with mascot 'Trez' the cat, provides information about the goals and programs within Treasury, with electronic links to Bureau web sites. The web site is also being reviewed by an elementary school principal and group of children. As a result of the positive feedback, public release of this site is expected by the end of June.
- **Child Support:** On May 27, the Financial Management Service (FMS) began offsetting federal payments to help States collect past-due child support monies. FMS is now offsetting payments on behalf of AZ, KS, SD, CT and D.C. Offsets for other States will begin soon and by 1998, FMS will offset federal payments on behalf of all 50 States.

6-9-97

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- **CBI Trade:** On June 5, USTR transmitted the Administration's proposal for CBI Trade Enhancement legislation to Congress. Central American and Caribbean ambassadors to the U.S. will be briefed immediately prior to transmittal. USTR has already consulted extensively with Congress on this legislation.
- **Financial Services:** USTR continues efforts on a WTO Financial Services Agreement. This week, senior USTR officials discussed U.S. country-specific in bilateral and multilateral sessions at the WTO in Geneva. Ambassador Lang met with state insurance commissioners to discuss the negotiations and addressed the Asia-Pacific Chamber of Commerce. On July 16, the next round of negotiations will be held.
- **ITA II:** USTR continues to consult with industry regarding the expansion of the Information Technology Agreement. ITA II would expand product coverage, address non-tariff issues and broaden country participation in the agreement.
- **Fast Track:** On June 4, Ambassador Barshefsky testified before the Senate Finance Committee on the issue of Fast Track. In her testimony Ambassador Barshefsky outlined the Administration's three broad uses of fast track authority: multilateral, sectoral and regional initiatives. Several Senators mildly criticized the Administration for its decision to postpone Fast Track until September. Next week, Ambassador Barshefsky is scheduled to meet with Senators Boxer, Robb and Lugar and Representative DeLauro, the Hispanic Caucus and the House Wednesday Budget Group regarding Fast Track.
- **Ambassador's Schedule:**
 - ▶ On June 12, Ambassador Barshefsky will meet with a group of insurance CEOs regarding the financial services negotiations.
 - ▶ On June 13, Ambassador Barshefsky will meet with Ron Compton, CEO of Aetna, regarding a number of issues.

SMALL BUSINESS ADMINISTRATION

- **7(a) Loan Program:** On June 4, Administrator Alvarez notified the Congress that she would remove the \$500,000 loan cap on the 7(a) loan guarantee program that was imposed on May 2. SBA was able to take this step because of an error discovered in the credit subsidy model used to calculate the cost to the government of the 7(a) loan program. The error occurred in the preparation of the FY97 budget -- sometime in early 1996. The GAO discovered the error in a review of the subsidy model. Correcting the error reduced the cost of the program from 2.54% to 1.93% of the loan amount, allowing the SBA to stretch its available appropriation to support more small business loans this fiscal year.

6-9-97

- **Civil Rights Update:** The civil rights backlog team determined that 769 cases of the total 1,504 active civil rights cases are appropriate for alternative dispute resolution. These 769 cases represent 596 complainants. Nearly 400 of the 596 complainants have expressed willingness to proceed with negotiations. Since May 19, the team has settled five cases and is actively negotiating 146 cases, with 77 near settlement.
- **Rural Development:** In FY97, USDA has funded 663 water and waste disposal projects, totaling nearly \$576.4 million in loans, more than \$336.5 million in grants, and serving about 484,725 users. USDA has made \$407 million in rural housing loans this fiscal year, providing housing for almost 8,400 families and jobs for over 9,900 people. USDA has guaranteed another \$1.1 billion in loans, providing housing for over 16,400 families and jobs for over 17,900 people. This fiscal year, USDA has made 418 business and industry loans totaling nearly \$524.1 million; they will create 6,395 jobs and save 10,618 jobs.
- **Safe Drinking Water:** On June 11, USDA will release *Safe Drinking Water: The Value Of Nitrate Reduction*, which evaluates the potential benefits of reducing human exposure to nitrates in the drinking water supply.
- **Dairy Update:** On May 22, oral argument was presented in the U.S. District Court for D.C. on the Northeast Interstate Dairy Compact lawsuit.
- **Trade Developments:** On May 27, USDA issued a notice restricting the importation of pork and pork products from Spain because of the detection of hog cholera in that country. By June 23, USDA expects approval of the final rule specifying conditions for export of fresh beef from Argentina to the U.S.
- **Food Safety:** On June 12-13, the First Lady is expected to attend USDA's National Food Safety Education Conference, the first national conference to focus on developing innovative education programs aimed at improving consumers' food handling practices.
- **Welfare Reform:** The Food Stamp Program (FSP) approved a waiver exempting Wind River Indian Reservation, WY, residents from the provisions in the welfare reform bill which limit food stamp program participation to three months in any 36-month period for able-bodied adults without dependents between ages 18-50 unless the affected individuals are employed an average of 20 hours per week or are participating in a work program.
- **Homeownership:** From June 7-14, the USDA is promoting National Homeownership Week and as of May 30, 37 states have agreed to sponsor 67 events during the week.

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THE PRESIDENT HAS SEEN
6-9-97

June 4, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Maria Echaveste

CC: Sylvia Mathews

SUBJECT: Status of Outreach Calls on Race Initiative

Sharon Call heads
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In light of the upcoming New York Times story, we accelerated our outreach plan. We reviewed our list of individuals to identify the folks who would be upset or concerned that they had not been called by the White House. In addition, we wanted to call those people who the media might call for a reaction. Attached is a list of the individuals that staff either called within the last week, including today, or left messages to show our efforts to reach out to them.

Below is a sampling of some of the comments we have received:

Eli Weisel says -- "I like this idea very much. It is the right thing to do. 18 months ago I told the President he should organize a colloquium at the White House on Ethics -- meaning consideration for the other person. I want the other person to be who he or she is, so that I can be who I am. That is why this is so important. . . . Tell me where I should go, what I can do to help. The timing is so important -- coming to the end of this century. In many ways this century has been a symbol of enmity. Now we must go beyond this. . . When you talk to the President give him my personal regards -- I think of him a lot. I am very fond of him."

Vernon Jordan -- He has the memorandum outlining your initiative.

Wade Henderson -- Is concerned that financing of this initiative will take money away from civil rights enforcement from Justice; wants to see who is on the advisory group but won't be vocally critical.

Tony Compolo -- is very enthusiastic and wants to help in any way. He has agreed to author an OP ED and talk to the press.

Chris Edley -- has already received calls from press. Will author OP ED.

Deval Patrick -- is on board and will help in any way.

Chancellor Tien--Is very enthusiastic about this. He believes that this is the perfect time to have a dialogue about race---he is beginning to sense a change in public attitudes with the feeling that perhaps they went too far in such areas as affirmative action. He will be an enthusiastic supporter.

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✓ Bishop Chandler Owens, the presiding Bishop of the Church of God in Christ -- is very happy that you are leading this effort. The Bishop considers you a hero..

✓ Khalil Jahshan, President, National Association of Arab American -- He is the one who got the call from the New York Times. He was going to call the New York Times back and tell them the Arab American community is very pleased with what the President has done so far in terms of promoting acceptance of Arab Americans and trying to heal the nation as a whole.

✓ Ed Turlington for Bill Bradley -- He thought it was great -- Bradley was on travel, he will convey his thoughts.

✓ Ron Allen -- thought it was a great idea -- so happy to have Indians consulted.

✓ David Saperstein -- If you announce this without naming an assistant AG for Civil Rights, you will have an uphill battle.

✓ Karen Narasaki -- She is glad that you are taking a leadership role in this. She wants a White House conference on hate crimes and has a lot of data that her group has just published. She should be extremely happy when you announce the fall White House hate crimes conference.

✓ Daphne Kwok -- Your focus and attention on race is positive. She feels it will only work with your attention and follow through.

✓ Matt Finucane -- He believes that Presidential leadership is vital. He wants the initiative to promote Affirmative action, desegregation and deal with poverty issues -- he wants us to avoid a volunteerism solution. He believes that it is important to bring in large corporations that support affirmative (i.e. Hughes) that could bring along the center. He wants to make sure that we support existing civil rights groups and that we make sure that Labor is a big part of this.

✓ Ralph Neas -- He likes our approach very much and looks forward to working with us. Thinks we have captured the right blend between action and dialogue. Had been quite concerned that we were going to start something with a large commission that was going to get out of control. He suggested that as part of our efforts, we should issue a medal of freedom to Louis Martin (who died recently) and Arnold Aronson (co-founder of the Leadership conference on civil rights) who is expected to die in the next few weeks from cancer. Thinks it would send the right symbolic symbol: two people, one black and the other white and Jewish, who have spent 40 years promoting dialogue and understanding between the races.

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✓ Joe Lowery and Mary Berry -- both believe you are doing the right thing on the race initiative as far as bringing focus to the problem. Lowery wants to give his support if its a serious effort, but cautions you against using this as a photo op. He also wants a White House Conference on Race. Mary is supportive and will serve as a validator.

✓ Arthur Schlesinger, Jr -- he was glad to be called and to hear the President will be making a major speech and conducting forums on the subject of race. He agrees that race is the big divide in American society. He wants jobs to be a major theme, and makes the point that families cannot cohere without economic security.

Alan Wheat -- Glad that you are taking this on. Offered to help -- would take media calls.

Barney Frank -- Glad about Hate Crimes Conference.

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THE WHITE HOUSE

Office of the Vice President

For Immediate Release

May 8, 1997

Remarks by Vice President Al Gore
 Microsoft CEO Summit
 Seattle, Washington
 Thursday, May 8, 1997

MR. BILL GATES: We're pleased to
 promoted the information super highway since
 he was the author of the High Performance
 certainly been at the forefront of science and
 of the first policy making
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Bill
cc: Bob Baer
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Al Gore

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So let's give a warm welcome to the vice president, Al Gore. (Applause.)

VICE PRESIDENT GORE: Thank you very much. Thank you very much, ladies and gentlemen. And, Bill, thank you for your very kind words of introduction. I remember that Letterman show. I didn't know you were going to bring that up. I gave a Top 10 list on that show of the most enjoyable things about being vice president, and I remember number five on the list; it has to do with the Great Seal of the Vice President. If you look at that seal and close your left eye and turn your head just right, it says "President of the United States of America." (Laughter.)

Anyway -- and incidentally, of course, this is a sobering time for me, living with the awareness that I'm only one kneecap away from the presidency. (Laughter.)

Some of you may not have seen the Legal Times article about the inauguration January 20th. In the Constitution, the president's term expires precisely at noon on January 20th. And by custom, I was sworn in at 11:58. And then the opera singer Jesse Norman sang, and sang too long. She was great, don't get me wrong, but the president did not take his oath to begin his

THE WHITE HOUSE**Office of the Vice President****For Immediate Release****May 8, 1997****Remarks by Vice President Al Gore
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MR. BILL GATES: We're pleased to have the vice president here. He has certainly promoted the information super highway since he first used that term over 20 years ago. In 1992, he was the author of the High Performance Computing and Communications Act, and he's certainly been at the forefront of science and technology for the Clinton administration. He's one of the first policy makers who really understood the potential of technology and the new information age. And he's really continuing to help shape that debate. I've had the privilege of meeting with him many times and sharing ideas. I've drawn on his wisdom and quoted him in many speeches.

A little while ago, I had to go on the Letterman show, and so I said, "Well, I know what I'll do; I'll get the videotape of what the vice president did when he went on the show." I would just do the same thing he did. And it turns out, what he did, he took some government ashtrays, and had a hammer and proved that, when they broke, they broke into the specified number of pieces. So, unfortunately, I didn't think I could duplicate that. But it was helpful.

So let's give a warm welcome to the vice president, Al Gore. (Applause.)

VICE PRESIDENT GORE: Thank you very much. Thank you very much, ladies and gentlemen. And, Bill, thank you for your very kind words of introduction. I remember that Letterman show. I didn't know you were going to bring that up. I gave a Top 10 list on that show of the most enjoyable things about being vice president, and I remember number five on the list; it has to do with the Great Seal of the Vice President. If you look at that seal and close your left eye and turn your head just right, it says "President of the United States of America." (Laughter.)

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second term until 12:05. (Laughter.)

You've anticipated me. It was an important five minutes for me, for my family. And if I may be so bold for America. (Laughter.) It wasn't exactly a morning in America, but it was pretty close at 12:01 p.m., and historians will record that during the Gore administration our country was at peace at home and abroad. Our economy was booming with low inflation. We created 3.1 jobs, 1.2 of them here in Seattle.

History will also record, with all due respect to President Clinton, that in my administration we had fewer crimes committed than in any other presidency, Democratic or Republican, in history. And it's because we put two new community police officers on the beat, Eddie and Duane. (Laughter.)

But what's most important to me is that partisan bickering, so frequently the bane of Washington, gave way to bipartisan harmony the entirety of my administration with patriotic hymns bursting forth from the steps of the Capitol. I think it's for that reason the chant began there on the steps and swept westward all the way to the Pacific: "Five more minutes! Five more minutes!"

Anyway, it's really great to be here, and I want to acknowledge the other distinguished guests who were here. I want to thank Steve Forbes for being a co-host of this remarkable event, and I want to thank you, again, Bill Gates, for conceiving it and bringing it off so well. I wish that I had been able to be here personally for every session, but I've gotten some reports from some of the other presentations, and they sounded really fascinating.

I want to acknowledge my friend and a tremendous leader of this state of Washington the Governor Gary Locke, who is off to such a fantastic start and one of my allies in the move to reinvent government. We call it REGO -- that's "Gore" spelled sideways, so I've worked hard on that.

And it's great to be here with a person who I am a little biased because he's a personal friend of 30-some-odd years, but our chairman of the FCC, Reed Hundt, who I personally believe is by far the best chairman of the ~~SEC~~ we've ever had, and I really appreciate the hard work that you're doing, Reed. *Re*

And to the other government leaders who are my colleagues: the postmaster general, Marvin Runyon, and the head of the National Security Agency, General Kenneth Minihan and General Edmonds and Richard Danzig, and the others, and the distinguished guests and the CEOs and others who ought to be singled out.

This afternoon, I would like to talk to you about the new economy and the limited but critical role that I think government has to play in the 21st Century. So here goes: Gore on the New Economy, Version 1.0; you'll be notified about upgrades.

You have been discussing here the future of the corporation in this era of technologically driven change. In joining in your conversation, I would like to discuss also how the very same sources are influencing government, forcing the transformation of government and reshaping the relationship between government and corporations.

There are actually two changes that frame our conversation. The first you have described explicitly as the technology revolution, which is, of course, only the latest manifestation of the larger scientific revolution that began reshaping the economy and society more than three and a half centuries ago, and of course now, in our lifetime, in many fields -- the life sciences, the earth sciences, brain research, materials development to cite but a few examples -- knowledge is increasing at an unbelievably rapid pace. But the one field in which it is having the biggest impact is really the revolution in information technology.

It's important also to recognize that the information revolution is peppered with a second change implicit in the framing of today's conversation: the globalization of the marketplace. This change has also been in the making for quite some time. As a matter of fact, as soon as communication became electrified, it was inevitable that the marketplace would become global.

In 1851, inspired by the telegraph invented 16 years earlier, Nathaniel Hawthorne wrote these words: "By means of electricity, the world of matter has become a great nerve vibrating thousands of miles in a breathless point of time. The round globe is a vast brain, instinct with intelligence." Much as Jules Verne foresaw submarines and moon landings, Hawthorne sort of saw the digital nervous system that Bill Gates discussed this morning.

These two changes, globalization and the revolution in information technology, have combined to create a new age with an entirely new business reality and entirely new challenges and opportunities.

The place to begin talking about it is by asking about the impacts, not on business or government, but on people. What is the human impact of these changes? Well, for starters, most of us feel we have a lot more information than we can possibly deal with. How many times have you heard that metaphorical question, how can you drink out of a fire hose? A friend of mine in the computer industry once made this point by saying that, if you tried to describe our human brains in computer terms, you'd say we have a low bit rate, but high resolution. And what he meant by that was that when we try to absorb information bit by bit, it takes a long time and we're not really very good at it.

For example, years ago the telephone industry conducted research and found that seven digits were the most we could retain in our memories, and then they went and added four more digits.

But we do have very high resolution. Meaning we can quickly absorb the meaning of patterns containing huge quantities of data at a single gulp, and then infer the meaning of each bit

by reference to its context. For example, there are 200 billion stars in the Milky Way. We recognize that pattern instantly. Bill and Melinda's daughter Jennifer recognized their faces within two weeks of her birth, a task that no computer can yet replicate with speed or accuracy.

This capacity for high resolution has served us very well. But the problem is this: most of the voluminous new information now becoming available to humankind about the world around us comes to us not arrayed in recognizable patterns, but in huge sand dunes of data.

For example, our satellites take a complete photograph of the earth's surface every 18 days, but 99 percent of the information collected never fires a single neuron in a single human brain. The Clementine division of NASA to explore the surface of the moon contains 20 terra bytes of data that no human eyes have ever seen.

High-performing computers help us to master this challenge, but there was a mismatch between the incredible speeds with which processing power expands and the snail's pace with which new advances in transmission capacity have been made available. I once used the old cliché with a college audience that if a -- you've probably -- many of you have probably used this, too, if a car had made the same exponential advances as a computer, a Cadillac would get 100,000 miles to the gallon and cost only 50 cents. And one of the students in the front row raised his hand and said, "Yes, Mr. Vice President, but it would only be about this big."

The challenge we face was similar to the challenge we confronted after World War II when ever family bought a car and the two-lane roads could no longer handle the traffic. Indeed, just as in earlier eras nations gained competitive advantage by improving the infrastructure of transportation, deep water ports, railroads and super highways. comparative advantage now can be enhanced by a superior national information infrastructure built by sensible deregulation and competition policy. But the point remains, what is the human impact, and how do we adapt our organizations, both in business and in government, to deal with these sweeping changes?

Many of you in this room have been pioneers in the transformation of business to adapt to these new realities. Your presence here confirms our shared view that this is a work in progress, and the underlying change which requires adaptation is not only continuing but accelerating in its pace and intensity.

Businesses in the industrial age organize themselves according to the model of the factory, and so did government. Most employees were valued primarily for their physical ability to perform repetitive tasks according to instructions from management that infrequently change. Indeed, any communication from the CEO to the people actually producing goods and services had to travel through multiple layers of middle management, existing primarily for the purpose of passing information from one level to the next. As public education empowered a larger fraction of the American population, a few pioneering managers recognized that the most valuable asset in the corporation was the unused brainpower of the men and women performing

repetitive physical tasks. A new theory of corporate management emerged, and the publication of books describing it became a major new cottage industry.

"Theory Z." "Participative management." "In search of excellence." "Quality circles." A hundred different labels were fastened to the same basic insights: Employees can think. They're smart. If you can convince them to pay attention to what they're doing in context and share with them the larger objectives of the organization of which they're a part, then respectfully harvest their ideas about how to improve and fine-tune the collective endeavor and then invite them to help implement the innovations they've come up with, companies can boost the bottom line. They can creatively encounter change at the company's edge, where change is first experienced, and not wait for news of that change to wind its way through multiple redundant, obsolete layers up to a CEO who is insulated and isolated at the top of the proverbial pyramid.

This morning I met with the team at Boeing producing the new 777 aircraft. Listen to the way this world leader describes his work, the people I met with are part of an integrated design/build team system. Grouped into small teams of eight to ten people, they have been assigned to refine and mesh all aspects of the aircraft from top to bottom. The idea is to have each team consider the aircraft as a whole and empower each team to act quickly on their own on ideas free from chain of command second guessing.

The new information technologies make it easier for more companies to take this approach, to empower their employees, and eliminate the barriers between employees' ideas and resulting corporate innovation. This wave of change has already had an enormous impact. Many of you here have led this change. All of you have adapted to it. And now several of you, along with other pioneers, are creating yet another new wave of change in corporate management. Moving from an appreciation of physicality and intellect to an appreciation of emotions, creativity or, if you will, heart.

Perhaps the greatest challenge facing you is attracting and retaining talented people. CEOs who have found ways to honor and respect their employees' loyalties to their spouses and families and communities have reduced turnover and reduced absenteeism, and increased creativity and productivity. Family-friendly work places, family and medical leave, flex-time, and other measures to bolster employees' emotional satisfaction are proving to be extremely valuable to earnings, revenues and profits. Companies like the First Tennessee National Bank have reconfigured their corporate missions to take emotion into account, and this soft-headed approach is showing hardheaded results.

Another way to describe this phenomenon might be to say they're getting more from their employees by focusing more on their core capacity, and with the help of their employees, understanding better their customers' needs and desires. In the business world, there is a new appreciation for the value of focusing on core capacities: The so-called virtual corporation uses new information technology to combine the core capacities of different companies for a mutually beneficial endeavor. The phrase that you're using here, rich and free capitalism describes a very similar overlapping phenomenon.

But what is our core capacity as human beings? In 1872, the steam hammer defeated John Henry. At the conclusion of this century, at the end of four games in a six game series, Big Blue is tied with Gary Kasparov. Physical health and fitness continues to matter a great deal. A well educated mind is our key strategic asset. But in the 21st century, as the information revolution continues to accelerate, I'm convinced that it will become ever more apparent that our core capacity is spirit, creativity, heart.

For example, how did the electronic communications revolution begin? Samuel Morris was a portrait painter. In fact, his painting of James Monroe hangs in the White House today. While Morris was working on a portrait of General LaFayette in Washington, his wife, who lived about 300 miles away, grew ill and died, but it took seven days for the news to reach him. In his grief and remorse, he began to wonder whether it might be possible to erase barriers of time and space so no one would be unable to reach a loved one in time of need. Pursuing this thought, he came to discovery how to use electricity to convey messages at the speed of light, and invented the telegraph. Emotion led to innovation.

Over the past 50 years, technological innovation has been responsible in the view of many for more than half of the nation's growth in productivity. Our approach to the new economy must include a new appreciation for the key role of innovation and for those factors which tend to promote it. In the old economy, growth depended largely on capital and labor. The task of policy makers was to keep those factors of production in sync. When the phasing was poor, we got a down turn in growth or an upturn in inflation, which continued until capital and labor were restored to their proper balance. These factors are still crucial. But the new economy is different.

As the economist Paul Romer has argued, the true engines of growth may be ideas and the technologies created from those ideas. The only way to produce more economic value and thereby boost economic growth rates is to find ever more valuable ways to use the objects available to us. We first used sand in an hourglass to measure time. Now, of course, we use it to form the silicon chips that power the personal computers. Same object, more creative use.

Paul Romer and others are teaching us that innovation is not something that happens outside the economy, as traditional economic theory had held; innovation occurs inside the economy, and it is essential if economies are to grow. Innovation is reshaping the very way we think about the economy and the vocabulary we use to describe it. To discuss the economy, we once resorted to the metaphor of a machine. Policy makers slowed things down or sped them up, stepped on the gas or hit the brakes, or shifted gears. But the new economy is more like an ecosystem, which depends for its health on diversity, nutrients, and its ability to change and evolve and learn and grow.

In the old economy, the key to growth was an individual sector. In the new economy, the key to growth may be an economic web and the diversity of those webs both require and create. Invent the personal computer, and you inevitably spawn a web of products and services that move outward from that event -- mouse pads, computer repair shops, Windows 95, and so it goes. The economic web is, itself, the generator of the next novel growth opportunity,

innovation sparks innovations. And establishing the proper conditions for innovations to flourish is one of the policy maker's highest obligations.

But the larger move from hard to soft is affecting every one of your companies. In the old economy, the value of a company was mostly in its hard assets, its buildings, machines and physical equipment. In the new economy, the value of a company derives more from its intangibles, its human capital, intellectual property, brain power and heart. In a market economy, it's no surprise that markets themselves have begun to recognize the potent power of these intangibles. It's one reason that net asset values of companies are so often well below their market capitalization.

Baruch Lev, an accounting professor at the NYU Business School, says that nearly 40 percent of the market valuation of the average company is missing from the balance sheet. For high-tech firms, the percentage is more than 50 percent. And recent research by Ernst & Young's Center for Business Innovation suggests that securities analysts are basing about 35 percent of their portfolio decisions on intangibles, and that the more an analyst relies on these factors, the more accurate his or her predictions seem to be.

The importance of intangibles underscores the importance of the questions that I return to again. What about people? What kinds of policies should we follow to promote out success in the new economy in ways that enhance the quality of our lives? Well, just as the process of corporate transformation has moved from a focus on muscle power to brain power, and is now beginning to move to a focus on innovation, creativity and heart, our approach to national policy is doing the same, but not without controversy.

We have an ongoing national debate that sometimes features arguments that sound like they originated in the Land of Oz. You remember the famous Frank Baum story and the Judy Garland movie about Dorothy and her companions who went off to see the wizard. Incidentally, speaking of magic kingdoms, I'm looking forward to boarding the Emerald Star and going to see this magnificent house a little bit later on, Bill.

In any event, there are many in this period of technological change and globalization who feel like Dorothy -- suddenly placed in an unfamiliar landscape unable to go back home. And they are tempted to listen to advisors whose economic philosophies mirror the personal attributes of Dorothy's companions.

For instance, there is a group that makes up what we might call the scarecrows. They have hearts and a sweet disposition, but don't always make good use of their brain. The scarecrows are frightened of imports, fearful of more open trade, scared of competition and the challenge it represents. They are resentful of immigrants and want to punish them, and they are extremely apprehensive about new technologies. But they fail to analyze the true nature of our condition. Scarecrows believe that the forces of the new economy are fundamentally destructive, and that government's job is to throw up walls and slow down the pace of change. They also call for protecting corporate welfare, and similarly for propping up companies that cannot compete.

Now, in some ways, the scarecrows sometimes have a point. On any trade agreement, the terms must be fair, and the United States cannot harmonize downward on important issues like labor and the environment. But fundamentally, our commitment to open trade is crucial to our economic future. Or take immigration, it's certainly true that illegal immigration has to be stopped, and we need an orderly process for admitting legal immigrants. And middle-income families must have the opportunities to acquire the tools and the education to make the most of all these changes. But immigration is good for the United States, and always has been.

Ultimately, the scarecrows' good intentions lead them to unwise conclusions. On trade, they ignore the fact that America's tariffs are relatively small compared to those of other nations, and that most trade agreements, therefore, increase our entry into other markets, not the reverse, and jobs depending on exports pay well better than the average. Besides, history teaches us that isolation, holing up behind impenetrable barriers is not the way economies grow. We've tried this approach; it has been a dismal failure. And if you don't believe me, I have two words for you: Smoot-Hawley.

The scarecrows are also dangerously pessimistic. Their philosophy assumes that American workers and American companies can't compete and aren't as good as the rest of the world. And that is just plain manifestly wrong. Holding back change may reduce anxieties in the short-term, but it stifles progress in the long-term. We know that prosperity in the new economy depends on innovations. The scarecrows offer only a prescription for stagnation. You have to have a heart, but you also have to use your head.

Now, if you don't like that straw man, here's another one. Remember the tin man. The tin men have a cold, calculating bead on the facts and figures and theories that measure the rise and fall of markets, and the latest currency exchange rates. They are intimately familiar with the metal and plastic and silicon from which our new technologies are made. Like Oscar Wilde cynics, they know the price of everything but the value of nothing. These tin men do appear to have a well developed intellect, but they're ideas are squeaky and rusty. Metallic standards provide the answer to every social problem. They have brains, but like the tin man of the tale, they lack a heart.

Their philosophy holds that the way to get the most out of the new economy is simply to slash taxes and get the government entirely out of the way. Cut taxes in half, no cut taxes by a factor of four some say, and just sit back and watch the results wash in. The central belief here is that America would enjoy unimaginable prosperity if government merely packed up and went home. This approach is flawed deeply for at least two reasons. First, we tried it and it didn't work. And much of President Clinton's economic policies have been directed at repairing the damage that this approach unleashed. In particular the massive quadrupled budget deficit.

Second, and more important for our purposes, this philosophy ignores what's new about the new economy. Bill Gates did not start Microsoft because Congress cut the capital gains tax. He did it because he had an idea and he innovated, and he worked very hard. The tin men offer no prescription for upgrading the skills of workers or for sparking innovation. They preserve the

status quo by draining funds from public investments and widening the gap between rich and poor. That approach threatens to worsen the prospect of working people through a resistance to worker protections and hostility toward collective bargaining.

Some people may benefit from the heartless policies of the tin men, but many would not, some would suffer. That result is morally unacceptable, but also economically unwise. A rising tide that lifts only some boats will eventually capsize all boats. Some of you I know are drawn to the tin men's approach. And I know who you are. But, every time you feel lured by their siren call, "no more government, no more government," take a walk around your company. Look at the people who are writing code or developing pharmaceuticals or figuring out a way to improve just in time delivery and ask yourselves how many of these talented people went to college on a government student loan? And then ask yourself where your company would be if these people didn't have a college education.

The tin men do certainly have brains. But, their brains could use a little oil to get rid of yesterday's squeak. They ignore what is new and offer an old prescription that has been tried and has failed. You've got to use your head, but you've also got to have a heart. There is a more sensible approach, accept change and its many benefits, but recognize the disruptions this change brings forth and give people the tools to thrive and prosper. But, the question has been raised, is there yet another group in this land of Oz, the lions who know what to do, but lack the courage to move forward?

This past week, not in Oz, but in America, we got the answer. Yes, we have the courage to move forward. We completed a bipartisan budget deal that eliminates, eliminates the federal budget deficit by the year 2002. It is the first balanced budget since 1969. And it will help keep alive the best economy in at least a generation. Unemployment at a 24-year low, historically low inflation, a booming stock market that has doubled in the last four years, more new small businesses created in each of the last four years than in any other year in the history of the United States of America. Growth in the last quarter of a whopping 5.6 percent, a reinvented government, downsized by 300,000 positions, smaller than it has been since President Kennedy's administration, more flexible government with rapid approval by FDA of new drugs to fight scourges like AIDS, rapid approval by agencies like the FAA of products like the Triple Seven.

Getting rid of the deficit is only the first piece of our new policy for the new economy. We also need open markets. Not protectionism, but the free and fair flow of goods, ideas and information is critical. We need flexible regulation and an open competition policy that respects the new realities of the new economy. We also must invest in the physical infrastructure of the information age. Connect every classroom and every library to the information superhighway. Just yesterday under Chairman Hunt's leadership, we took a big step in that direction with a discounted rate for schools and libraries, an e-rate, which will pump more than \$2.2 billion per year in our information infrastructure for the future.

Now we must create the next generation of the Internet, with 1,000 times the capacity of the current Internet, and then magnify it another 1,000 fold and ensure that the Internet is a duty free zone. In an economy powered by innovation, we must also invest heavily and in the right

way in education. And our budget agreement makes the largest increase in education investment in a long, long time, head start, educational standards, charter schools, Hope scholarships, Pell grants, a tax credit for college tuition, the ideas of Bill Clinton. We call him the education president and may I say here in Seattle, the ideas of Patty Murray, the education Senator.

We also need a fully reinvented government, aligned with the principles of the information age. A transformation of government to one that does work better and cost less. We must, of course, maintain a military adequate to meet America's unique global leadership role. And we have to protect our environment and make the investments necessary to keep our air and water clean and safe. In the new economy, protecting the environment is not a sacrifice we make by slowing the economy, it is a precondition for a growing economy.

And finally, we must reject those who take the low road of bashing immigrants and trafficking in intolerance. In the new economy we must provide open opportunity for every American, because in the new economy, a global economy, America's racial and ethnic diversity is a powerful economic strength, an asset that we have that is unmatched by any other nation in the world. We have to listen to America's heart. Strengthen our families, nurture and respect our values, encourage and facilitate corporate responsibility, with family friendly policies, health care coverage for working men and women and their families. And we need to protect our values against attacks from those forces that undermine them, like crime, drugs, broken homes, teen pregnancy and the barriers of intolerance and discrimination. Economic growth depends on a foundation of values.

One of the untold stories of America's extraordinary post-war economic growth was that at every layer of society people shared a preexisting set of values. People were ready for work on day-one, with a certain constellation of shared beliefs. That is equally important in the new economy. Indeed, it may be the most crucial intangible upon which our prosperity depends. Smart people are not enough, we need people with good brains and open hearts. Measures like character education and community policing are not only the right thing to do, they're the smart thing to do to ensure that the new economy develops.

Well, this truly is an exhilarating time. Government must transform in order to aid the transformation of the new economy. It must understand the potency of the information revolution and comprehend the globalization of just about everything we do. It must also resist the temptation to either throw up walls or throw its hands and to declare either that we can't compete or that we shouldn't care. In the new economy, we need brains, we need heart, and we need each other.

Thank you very much.

END



What about this

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THE PRESIDENT HAS SEEN
6-9-97

June 4, 1997

Executive Committee

Rev. Willie T. Barrow
Co-Chair of Board of Trustees

Angela Jordan Davis
Co-Chair of Board of Trustees

Rev. Jesse L. Jackson, Sr.
Founder & President

Nancy M. Ware
Executive Director

Francisco Borges
Jerry Bell
Co-Treasurers

Hon. Reed Hundt
Chairman
Federal Communications Commission
1919 M Street N.W.
Washington, D.C. 20554

Dear Chairman Hundt:

First, on a personal note, please accept our best wishes as you embark on a new journey as a private citizen once again. We anticipate finding you standing with us in your future life, fighting the good fight for justice, fair play and a fair share of the American dream for all citizens.

Twenty years ago, Chairman Richard Wiley exercised the courage to convene the FCC's first Minority Ownership Conference. His April, 1977 conference ushered in the modern era of minority broadcast entrepreneurship. From 1978 through 1995, minority media ownership increased steadily, rising from eighteen properties to over 300.

Regrettably, on your watch that number has fallen dramatically. The slight trickle after the loss of the tax certificate policy became a stream after Adarand. It is now a deluge after the 1996 Telecommunications Act and the media concentration it has spawned.

In a democracy, monopoly and segregation of the media and information industries are intolerable. The growth of radio, television and telecommunications industry concentration, nationally and locally, threatens all Americans' access to diversity of viewpoints -- a centerpiece of our democratic traditions. It threatens to eviscerate minority ownership and put innovative, small entrepreneurs out of business.

In the face of these enormous threats to diversity, the FCC in the past few years has assembled a record in which it can take little pride:

1. It has replaced the race-sensitive auction criteria with a wholly inadequate "small business" paradigm which utterly fails to address the fact that access to capital is not denied minorities because of their size but because of their race.
2. It has failed even to begin the Adarand study required in order to restore the minority ownership policies.

National Office

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3. It has decoupled the broadcast minority ownership rulemaking proceeding from the attribution and multiple ownership proceedings, thereby foregoing the opportunity to promote minority ownership through rule waivers and attribution incentives.
4. It has failed to lift the broadcast comparative hearings freeze, thereby preventing new minority owned stations from being built and licensed.
5. It has quietly but overwhelmingly reduced the use of staff investigations, conditional renewals, short term renewals and forfeitures as tools to enforce the equal employment opportunity rule.
6. It has failed to designate even one broadcast renewal for an EEO hearing since 1994.
7. It has held a radio licensee qualified for renewal even though it deemed Blacks unqualified for employment because they supposedly lacked "classical music expertise" -- compelling its General Counsel to hold his nose and defend this horrible, racist decision in court.
8. It has issued a notice of proposed rulemaking whose premise is that keeping routine EEO records is such a "paperwork burden" that most radio stations should be completely exempted from affirmative action requirements and nondiscrimination enforcement should be rendered impossible.
9. It has failed to initiate even one cable television or common carrier EEO enforcement action in the past three years.
10. It has failed to monitor or enforce the 1992 Cable Act's minority contracting provisions.
11. It has failed repeatedly to respond to proposals from the civil rights community to develop minority contracting programs for the broadcasting, telephone and wireless industries.
12. Finally, with rare exceptions, the members of the FCC have failed to promote or discuss civil rights issues and values in conferences, speeches and separate statements when cases are decided. Your 29-page, single spaced annual review of the FCC's policy priorities contained no mention of equal opportunity.

The Commission has winked at discrimination, permitted the growth of monopoly and stood by while the media is being resegregated. The revival of monopoly and resegregation of the media endangers the freedom of the press and our democratic traditions.

We believe profoundly in redemption, in the power of the individual to see the error of his ways, in the ability of one person to lead others in a new direction in the twilight of his public career. President Clinton has dedicated this month to the pursuit of a national dialogue about race. It is in that spirit that we urge you to take three simple but powerful steps to build a lasting legacy of equal opportunity.

First, you should impose an immediate moratorium on media concentration and the auction of telecommunications licenses until the Commission restores and expands its minority ownership policies. No transactions should be approved unless they serve the public interest by impacting positively on minority ownership and diversity of voices and viewpoints.

Second, you should begin the long-promised Adarand study immediately. Attendant to that study should be a thorough review of the impact of the loss of the tax certificate policy on minority ownership, and a request to Congress to restore the tax certificate policy at once.

Third, you should adopt a policy of zero tolerance for discrimination in employment, call back the court case in which you renewed the license of a broadcaster who felt Blacks were unqualified to work because they supposedly don't listen to classical music, call back the rulemaking order proposing the exemption from EEO enforcement of most of the radio industry, and begin putting real teeth into the day-to-day review of radio and television equal employment opportunity programs.

By taking these steps, you will reserve your place in history as the FCC's Civil Rights Chairman. We will stand with you with each step you take, we will defend you from those who do not and will never understand, and we will be assiduous in letting freedom of information ring for all of us.

With kindest regards,

Very truly yours,

A handwritten signature in dark ink, appearing to read "Jesse L. Jackson, Sr.", with a long horizontal flourish extending to the right.

Rev. Jesse L. Jackson, Sr.

THE PRESIDENT HAS SEEN

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6-9-97

June 7, 1997

Dear Mr. President:

For some time, I have been involved in a matter which became the subject of international diplomacy with the Russian Government. I wanted to give you some personalized background and, to the extent it is appropriate, ask for your consideration of a future step. The matter involves the JEWELS OF THE ROMANOV exhibit, a joint project of the American-Russian Cultural Cooperation Foundation (the "Foundation") and a Russian Organizing Committee ("ROC"), endorsed by Prime Minister Chernomyrdin and headed by former Deputy Minister Vitaly Ignatenko.

Background

In my law practice, I have provided counsel to the Foundation, whose Chairman is Jim Symington. About one and a half years ago, Jim Symington proposed to celebrate American-Russian cultural friendship by commemorating the only visit of a member of the Russian royalty to the US. On November 21, 1871, Grand Duke Alexis, son of the Czar, was received in Washington by President Grant as a gesture of appreciation for Russian help during the Civil War. During a four month sojourn, the Grand Duke visited twenty American cities. Jim's idea was to recognize that seminal event in our nations' mutual histories and plan cultural, business and student exchanges during the 125th anniversary period.

The idea was thoroughly embraced by Russian cultural organizations, and in fact was expanded upon. Over a series of months, the project evolved into an exhibition of some of Russia's most prized cultural objects, including a significant part of the remaining historical objects from the Romanov dynasty's collection of crown jewelry. These jewels are housed in the Russian State Diamond Fund, a museum which dates its origins to Peter the Great in 1719. In addition to jewels, the Russians offered other historic treasures, including court gowns, paintings, religious icons and archival material (letters and photographs) relating to the Grand Duke's impressions of his American visit. The Russian press described the exhibit of over 250 objects as "the most valuable collection of artworks ever to leave Russia."

Despite the fact that international art exhibitions of this scope take two to three years to plan and implement, the timetable established by the Russian side left us with less than six months. Through the efforts of small but dedicated groups on both sides, we were able to organize an exhibition that most museum people believed impossible to assemble in that short space of time. The exhibition opened at the Corcoran Gallery in late January to "blockbuster" reviews in the New York Times and Washington Post. A "ribbon cutting" ceremony was organized around Prime Minister Chernomyrdin's visit and presided over by both Vice President Gore and the Prime Minister.

The Course of Negotiations

Throughout the period of organization and implementation of the planned exhibition, negotiations between the Foundation and the ROC continued. Although the ROC was comprised of leading Russian museums and governmental ministries, it was headed by private representatives, who constituted a new, entrepreneurial breed for Russia. I was pleased that despite understandable tensions in negotiating terms with the Russian group, I was able to maintain positive relations with all involved.

Nevertheless, there were numerous difficulties in handling the complex arrangements for the exhibition tour and auxiliary events (which included a State Ball at the Russian Embassy and symposia at other venues). For some in the Foundation and the private part of the ROC, the tensions were palpable and strained our ability to resolve some core issues. Unfortunately but predictably, due to the time pressure of creating and implementing the ambitious plans for the exhibition and other events in a tight time period, elements that should have been resolved before the exhibition opened dragged on.

Essential to the Foundation's ability to stage the exhibition were agreements that I negotiated with four American museums to host the tour. The exhibition's 1997 itinerary scheduled the show to open at the Corcoran, then move to the Houston Museum of Fine Arts in May, the San Diego Art Museum in August and the Memphis-Brooks Art Museum in November. Three sites in 1998 remain to be identified.

By all accounts, the Corcoran show was a smashing success. JEWELS OF THE ROMANOVs: TREASURES OF THE RUSSIAN IMPERIAL COURT was the most widely attended show in Corcoran history: over 80,000 people saw the exhibition in the space of ten weeks.

The April Impasse and Resolution

As the exhibition continued, the Foundation and the ROC tried to finalize open issues. The talks were punctuated by certain interpersonal and financial disputes, which boiled over when the show finished the Corcoran run. At that point, the disputes made their way onto the public stage, when the cargo truck filled with many of the objects was blocked by the Russians from departing to Houston.

Thanks in no small measure to the involvement of Ambassador Collins and other members of the State Department, the Foundation and the ROC sat down and negotiated additional terms. Although a Russian Deputy Minister arrived, as he said "to kill the project," a settlement achieved its traveling to Houston in time to open as scheduled.

Significance of the Exhibit

In Houston, the exhibition is drawing record crowds as well. In just the first two weeks, over 35,000 people lined up to see the show. Despite extended hours, the museum can barely satisfy the public demand to see these Russian objects and learn about our historic ties.

The planned exhibition in California and Tennessee is now eagerly awaited not only by the museums, but also by tens of thousands of Americans. For example, in anticipation of the tour, the San Diego Museum has offered tickets to the public and have presold over 15,000 in less than three weeks. Coupled with the overwhelmingly positive public reaction in Houston, the show is accomplishing what Jim Symington envisioned - a better American appreciation of the long-standing friendship between American and Russian governments and peoples. This exhibit puts the cold war into perspective by emphasizing our nations' cooperation dating back to our Revolutionary and Civil Wars. It tells the story of friendship using the art and artifacts of history. It is an important message that has been heard by the tens of thousands of people able to visit the show and is in keeping with your Administration's foreign policy of building solid cultural and economic exchanges with the former Soviet Union countries.

The Current Problem and Possible Solution

One of the key terms which helped settle the April dispute and allowed the show to move to Houston was the ROC's insistence that it have the option to return the objects to Moscow after the close of the Houston venue. The decision to return the objects would effectively cancel the San Diego and Memphis stops. While I acknowledge that there were understandable concerns throughout our private and public negotiations on both sides, I think it would be tragic for the goodwill goals of this popular and successful venture to be lost after the most difficult questions were resolved.

From the ROC's own representatives, I have been told that it is important that President Yelstin and Prime Minister Chernomyrdin appreciate the importance of this exhibit to American-Russian friendship. Further, to cut the tour short could send a damaging signal, with repercussions in other arenas, that the new Russia does not honor agreements. (The ROC signed the San Diego Museum Agreement and approved the Memphis Agreement.)

I know that Jim Symington has already approached Vice President Gore's office about his communicating with Prime Minister Chernomyrdin. If that occurs, it should suffice in getting the American message across. It has also been suggested that it would be even more significant if you were to express in your upcoming meeting with President Yelstin your thoughts on the relationship of this exhibit to the friendship between America and Russia.

If you consider it desirable or appropriate, I would be pleased to give you any

other background information about this matter. Please do not hesitate to contact me at my office (telephone number 202-626-6423) or my home (202-686-9155). Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Arnold P. Lutzker". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Arnold P. Lutzker

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN

6-9-97

June 7, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
RE: NEC Weekly Report
cc: ERSKINE BOWLES

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Medicare Commission: We started an inter-agency group to consider our strategy on long-term entitlement reform in light of the lessons from the 1983 Greenspan Commission and other recent commissions. There is a Medicare Commission proposal in last week's Ways and Means mark-up. There was universal concern expressed about both the risk involved in the proposal without having a better sense of the implications of its likely recommendations as well as the structure of the Ways and Means commission (had a majority of Republicans and financing, cost estimates to be done by CBO, appointments made by the Speaker).

As we felt we needed to begin to develop a response that did not in any way appear that we were not interested in addressing the long-term financing challenges of the Medicare program, the budget team, along with Secretary Shalala, met in Erskine's office on Friday and concluded that the best response strategy was to determine if it would be possible for you and other White House principals to engage Senator Lott and Speaker Gingrich in a joint discussion about preferable alternative processes.

As an interim step, we concluded that we must initially include in our overall response general concerns about the Medicare mark-up a specific reference to the Medicare commission. As a result, a reference in a letter from Frank Raines to Chairman Archer was included which outlined general concerns on the Ways and Means subcommittee markup. We will be discussing with the budget team and Secretary Shalala appropriate future actions and will shortly make a recommendation to you.

AARP/Vice President Meeting: The Vice President, myself and Chris Jennings met with the AARP board. They presented the Vice President with a letter to both of you articulating their general approval of our Medicare provisions. It was a positive discussion. In addition to expressing concerns about MSAs, they were of the opinion that our next steps forward after the budget should be on long-term Social Security. I told them that there was some sympathy to that position and we were interested in discussing with them their ideas on how best to proceed.

6-9-97

✓ **Student Loans:** Bob Shireman, on our staff, has been involved in negotiations on the student loan portion of the reconciliation bill. The loan industry is pushing hard to cancel a reduction in the interest rate charged on student loans which is scheduled to take effect in July 1998. This was part of the 1993 reforms, and is a \$3 billion benefit to borrowers over five years (using CBO projections --more using Education's projections). We are opposing any change in the interest rate reduction, and are reminding the industry and the Hill that the budget agreement explicitly says that there will be no reductions in benefits to student loan borrowers.

|| So far, Goodling and Jeffords haven't proposed a change, but they are meeting with the industry on the issue. The Republicans are insisting on a permanent entitlement for middlemen (guaranty agencies), which runs counter to your budget proposal to establish a performance-based compensation system. We are working with OMB and Education in opposing the new entitlement.

|| **Higher Education Tax Proposals:** With the changes we announced earlier this week, some of the higher education groups have become more active in support of the Administration's plan. College presidents on Friday made calls to members of Finance and Ways and Means. The student groups and the state college association (AASCU), however, are discussing an alternative with Finance and Ways and Means that would scrap the deduction, and make the credit even more progressive than our new proposal. We have warned these groups that the Committees are not likely to ultimately support refundability, and that they are being strung along in an effort to undermine the Administration proposal. Education is also working with the other groups to put pressure on them. On the Senate Finance Committee, Education is working closely with Sen. Rockefeller, who has expressed willingness to fight for the Administration plan.

While you are making calls to Senate Finance Democrats, we are sending out responses to the CRS study which you received over the weekend. Education is distributing paper to higher education and student groups. Bob Rubin and Dick Riley, as well, have been making calls.

|| **School Construction:** John Hilley and I met with Sen. Moseley-Braun to discuss ideas for providing some incentives on the tax side. She is pleased that our draft tax plan currently includes a tax credit for school construction. She is interested in design issues, and would like to see more than the \$1.5 billion that is currently in the draft over five years. While we did not make the case to her, we think that it would be appropriate to argue that the 10-year figure (currently \$6 billion) on the tax side is comparable to our original school construction proposal (\$5 billion over four years, going into interest-bearing funds), since that proposal would have subsidized construction financing over a period of ten years or longer. We also stressed our willingness to work with her outside the budget agreement on a stand-alone school construction initiative.

Direct Loan Contract: Reports from the field suggest that customer service has improved significantly, but that some delays remain. Education admits that we have now passed the date on which we would have needed to cancel the EDS switchover and go back to CDSI for the large increase in loan activity in August. They know the importance of making sure that the new system works, and has given the issue the appropriately high level of priority.

6-9-97

America Reads: We brought together Education, OMB, and National Service, and DPC to discuss strategy for passage of the authorization legislation. We will continue to insist that National Service be included in any bill developed by Goodling and Jeffords, but we realize that the important battle ground is appropriations, since National Service already can (and does) engage in tutoring. That battle may occur in the House earlier than an America Reads bill would move.

So that we are not wholly reliant on the good will of Goodling and Jeffords, we are also developing an appropriations-only proposal that would use some flexible authorities for the Secretary of Education. That way, if by the time appropriations bills are nearing your desk, the authorization bill is mired in controversy, we can insist on the funds that were promised in the budget agreement.

A Kid-Friendly Internet: Tom Kalil, on our staff, has been working with the Vice-President's office to broaden support in industry for tools that will allow parents to have more control over what their children have access to. Some in industry have been calling this an "e-chip" because the technology will "empower" parents to block inappropriate material. Because the technology uses software, it could actually be adopted faster than the TV "v-chip" - which requires new hardware. It will also allow parents to choose which rating system they want to use. A decision by the Supreme Court could happen any time in June or early July.

China MFN: The NEC and NSC are reviewing options for how you should best get your message out. In particular, there is interest in ideas to connect the importance of this to Hong Kong, show there is religious validation for our side, and illustrate that we wish to actively use other tools on human rights. We are holding a Cabinet level meeting in Erskine's office on Monday on overall strategy.

Q I think it is important that you publicly put this in a Hong Kong frame; because it presents a strong framework as well as making it difficult to attack our position -- and because with the media fascination on Hong Kong, it will play into where the news is already directed.

Comp Time: I participated in a press conference with Senators Landrieu, Kerry and Baucus. The four of us stressed that we supported the right kind of comp time bill. I made clear that you were willing to compromise but that the Ashcroft position that people get straight time for time and a half for more than 40 hours a week was a non-starter. We pointed out that because the Ballenger bill in the House does not include this provision and that the Ashcroft bill had lost a cloture vote twice it was important that they drop the provision.

more important **PM/Ozone:** We have had several principals meetings on this issue, and a small group, including Carol Browner, is now reviewing the proposed rule. We are making good progress towards an outcome that will protect public health and at the same time, afford cities and counties a smooth path towards compliance without undue disruption.

Climate Change: Dan Tarullo and Katie McGinty co-chaired a Principals meeting on climate change issues, as a prelude for a decision memo for you on possible statements that could be made at the Group of Eight Summit and/or the UN General Assembly Session on environmental issues. The NEC is temporarily heading up the Interagency Analytic Team, the group responsible for modeling economic responses to climate change policies.

There are strong opinions among many of the economic principals that this is one of the biggest issues you face. Because of the importance of the issue, before we send any signals on our long-term direction, there is a desire for dialogue with you that is based less on specific and internal disagreements, but more on the gravity of the issue and the importance that anything we do should be well thought through.

Tort Reform: Ellen Seidman met with staff of Senator Rockefeller and Mr. Dingell on Monday, and chaired three interagency meetings during the week. We have remained carefully consistent to the concerns articulated in your veto statement, and within the bounds of those concerns. We are moving fairly quickly toward developing options for positions on issues as the legislation moves forward.

Stock options: We held further meetings with representatives of the high tech industries concerning the bill to restrict tax deductions for stock options submitted by Senators Levin and McCain, and discussed it with Treasury. Senators Levin and McCain have many problems, but a potential Republican proposal to amend section 162(m) of the Code (the \$1 million compensation deduction limitation) to include the value of options would be difficult to oppose, a position the high tech community understands.

Securities litigation preemption: The NEC interagency group has been meeting to consider options on this issue developed by Treasury and DOJ. Treasury will prepare a draft memo for circulation to the working group next Wednesday, with the goal of enabling you to make a fully informed decision about how to deal with this issue when you visit northern California on June 23.

Welfare to Work: Even with all of the difficulties we are having with the immigrant provisions, Bruce Reed and I are somewhat amazed by how well things are going in getting the Welfare-to-Work bill in the House based on our proposal, in addition to the exactly \$3 billion that will go directly to states and localities while targeting the 100 cities with the highest poverty rates.

Bruce Reed and I met with Gerry McEntee, who in response to your comments to him, showed us a proposal for unions to work with several key cities in developing a welfare-to-work initiative.

Kelly and McClellan: A House defense subcommittee voted yesterday to terminate the ongoing "public-private" competitions for the depot maintenance workloads at Kelly and McClellan Air Force Bases. Currently, the Air Force is conducting full and open competitions between private contractors, who would keep the work at privatized Kelly and McClellan facilities, and other public depots. The House language, which is almost certain to get approved in full committee next week, would abort those competitions and move the Kelly and McClellan work to other depots. We are urging Secretary Cohen to make clear his strong opposition to this legislation and his full commitment to completing the Kelly and McClellan competitions.

Corporate Alternative Minimum Tax: I met with representatives of the AMT Coalition, a group of firms interested in relaxing several aspects of the corporate alternative minimum tax. For many capital intensive firms, the alternative minimum tax has become the relevant tax system, denying these firms many of the investment incentives (e.g., very accelerated depreciation deductions) available to firms subject to the ordinary corporate income tax. In 1993, the Administration proposed, and Congress enacted, significant changes to the depreciation deductions under the AMT. The revenue estimate of this provision was more than \$4 billion over 5 years; the AMT Coalition maintains that this legislation addressed less than one-fifth of their total AMT "problem". It is not clear that Congress intended for firms to permanently be subject to the alternative minimum tax when it was reformed in 1986, leading these firms to seek relief (such as provided in a bill introduced by Senators Nickles and Rockefeller).

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
6-9-97

June 7, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

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* 1. **Education -- Release of 4th Grade TIMSS Results:** You are currently scheduled to participate on Tuesday in the Department of Education's release of the 4th grade math and science TIMSS results, which are very positive. The results show that, for the first time, U.S. students in the 4th grade score above the international average in both math and science. Compared with 25 other participating nations, U.S. 4th grade students rank behind only South Korea in science and behind seven countries (Singapore, Korea, Japan, Hong Kong, the Netherlands, the Czech Republic, and Austria) in math. These findings show significant progress in 4th grade math and science. Because previously announced results show U.S. students well below the international average in 8th grade math, the results demonstrate the need to keep American students on track in math and the value of a national 8th grade math test as a tool in that effort. We think you will be able to announce at this event that Kentucky has signed on to your national testing initiative.

Good 2. **Education -- PSAs on Standards by Major League Baseball:** The DPC has been working with the Education Excellence Partnership (the Business Roundtable, the National Alliance of Business, the National Governors' Association, the American Federation of Teachers, and the U.S. Department of Education) and Major League Baseball on the release of a new series of PSAs featuring baseball players (including Cal Ripken) talking about the importance of raising academic standards. We are currently working with the schedulers to find an Orioles game at which you can participate in the release of these ads. The ads are likely to be played on stadium screens throughout the major leagues on that day. The materials parents can obtain by calling the 1-800 number given in the ads encourages them to ask if their school districts will be giving the national 4th and 8th grade tests in 1999.

3. **Welfare -- Reconciliation Legislation:** The Ways and Means Subcommittee on Human Resources reported out welfare legislation on Thursday, with full committee markup scheduled for next week. The legislation includes a \$3 billion welfare-to-work proposal that reflects most of our priorities. The bill's immigrant provisions, however, violate the budget agreement by failing to cover disabled legal immigrants not receiving benefits on the day the welfare law was signed. And the bill contains a provision on the minimum wage to which we have objected strongly.

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Following extensive discussions with the DPC, HHS, and DOL, the Subcommittee agreed to a welfare-to-work program that meets the Administration's priorities of giving as much money as possible to cities, awarding a substantial portion of the funds on a competitive basis, and giving communities appropriate flexibility to use the money. Half of the money would be distributed based on a formula, and half would be awarded on a competitive basis; all could be spent on a wide range of uses, including public sector job creation. A full 65% of the competitive grants could go only to the 100 cities in the nation with the greatest number of poor people. A full 85% of the formula grants would automatically pass through the states to areas of high poverty, high unemployment, and long-term welfare dependency (primarily cities), with spending to be controlled by local private industry councils appointed by mayors. The mayors are extremely pleased with this allocation of funds, while the governors strongly oppose it. We will have to work hard to hold on to this plan in the House and gain a similar one in the Senate. (We are currently leaning on Senator Daschle to change his draft legislation to target more money to mayors.) The Ways and Means Committee is still open to our proposal of a performance bonus, but adamantly opposes the addition of nondisplacement language.

We spoke with Rep. Shaw about the bill's immigrant benefit provisions, but failed to make any headway. The Subcommittee's proposal would restore SSI and Medicaid benefits to elderly and disabled immigrants receiving benefits on the day the welfare law was signed; by contrast, the budget agreement would restore SSI and Medicaid benefits to any immigrant in the country as of that date who is or becomes disabled. The Subcommittee argues that its proposal would protect the nondisabled elderly currently on the rolls. But its proposal would fail to provide for some of the most vulnerable immigrants (people who become disabled after August 1996) -- and by 2002, would cover 75,000 fewer immigrants than the budget agreement. In addition, the Subcommittee added a provision at markup to deny SSI benefits to any legal immigrant whose sponsor has income above \$40,000. Because prior to last year's immigration law, sponsors did not legally obligate themselves to provide support, this proposal would leave at least some legal immigrants without any means of subsistence.

Both the disability and the aging groups supported our position at markup. The Leadership Council of Aging Organizations (including the AARP) and the Consortium of Citizens with Disabilities sent a letter saying that while they would like to cover even more legal immigrants than the budget agreement, they will not support "any reductions in benefits to immigrants with disabilities in order to provide them to other groups of immigrants."

Finally, the Subcommittee proposal would amend the welfare law so that workfare participants would not count as employees for the purposes of the Fair Labor Standards Act or any other federal law. Although requiring the minimum wage for hours worked, the proposal would permit states to count child care, Medicaid, and housing benefits, as well as cash assistance and food stamps, in their calculation of the minimum wage. It also would allow states to count additional hours of job search, education, and training toward the welfare law's work requirements. We argued strongly that this provision is outside the scope of the budget agreement, and that it creates a subminimum wage for workfare participants and weakens the

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welfare law's work requirements. The NGA has not yet officially weighed in on the proposal, but may do so next week. We are working hard to prevent Democratic Governors -- particularly Governor Chiles -- from coming out against us.

4. Welfare -- AFSCME proposal: The DPC and NEC met this week with Gerald McEntee to discuss an AFSCME plan to help cities move people from welfare to work. The plan grows out of your suggestion to McEntee and other labor leaders in an Oval Office meeting earlier this year that the labor movement should do its part to place welfare recipients in jobs. McEntee hopes to persuade Mayors Archer, Rendell, and Giuliani to create new positions for welfare recipients who would earn the minimum wage or better, become new union members, and count toward the work requirements. The recipients would be paid with funds that otherwise would go toward their welfare checks, and they would have first priority for regular jobs coming open on the city payroll. The program would focus on creating new positions in child care and home health care. We encouraged AFSCME to pursue the proposal, and asked McEntee to encourage CWA and SEIU to do the same. We also offered to provide technical assistance. If AFSCME can sign up a bipartisan group of mayors to hire people off welfare, we should consider a White House announcement as a way to show support for our \$3 billion welfare-to-work proposal.

✓ **5. Juvenile Crime -- Gun Safety Directive:** You are scheduled to speak on Wednesday at a Justice Department Conference on combating juvenile crime. The purpose of the one-day symposium is to highlight the enforcement and prevention practices that work in reducing juvenile violence. The conference falls one day before the Senate Judiciary Committee markup of juvenile crime legislation. At the conference, you will announce a directive to the Treasury Department that seeks to keep handguns out of the reach of minors. The directive will order Treasury to require every federally-licensed gun dealer to post a sign on the wall warning gun owners to keep their handguns out of the reach of minors and/or mandate gun dealers to provide a warning card containing similar information with every handgun they sell.

✓ **6. Health -- Pediatric Drug Labeling:** The DPC is working with the Food and Drug Administration on a regulation that would require pharmaceutical companies to do pediatric studies on certain new drugs and, in compelling circumstances, drugs that are already on the market. Most drugs are not now tested for use by children. As a result, children are given the wrong doses of drugs or are not given drugs at all because physicians are reluctant to risk giving them inappropriate and possibly dangerous amounts. For example, fewer than 10% of children with AIDS are receiving protease inhibitors, the newest and most promising AIDS drugs, because these drugs have not been tested for use by children. The regulation will be sent to OMB early next week. OMB will begin its review process, but no action will be taken until after the markup of the FDA reform bill in the Senate Labor and Human Resources Committee (which is expected to take place next week). This regulation has strong support from children's health advocates, particularly the pediatric AIDS community.

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7. **Tobacco:** As you know, the tobacco companies and state attorneys general may reach a settlement within the next few weeks. The DPC arranged a meeting last week at which Bruce Lindsey briefed representatives of HHS, Justice, and Treasury on the contours of the settlement. We asked HHS to provide an evaluation of the deal, from a public health perspective, within the next week or so. At the same time, Chris Jennings and Nancy-Ann Min are looking into how best to spend the federal government's share of the Medicaid reimbursement funds. As you know, Mike Moore proposed this week that both the state and federal shares go towards children's health coverage. Chris and Nancy-Ann are reviewing alternative ways to target this money.

8. **Drugs -- Crack Cocaine:** Generals Reno and McCaffrey are scheduled to report back to you in approximately three weeks concerning the National Sentencing Commission's recommendations on cocaine sentencing. As you know, current sentencing law imposes five-year mandatory minimum sentences for possession of five grams of crack and 500 grams of powder cocaine -- a 100:1 ratio. The Commission recommended that the mandatory minimum trigger for crack be raised to between 25 and 75 grams and the trigger for powder be lowered to between 125 and 375 grams. The Department of Justice would like to recommend that you support mandatory minimums at 25 grams of crack and 250 grams of powder -- a 10:1 ratio. General McCaffrey apparently is not convinced that any empirical data supports this ratio and therefore may press for a 1:1 ratio (or something very close to it). We think that the Justice Department has the recommendation about right and would like General McCaffrey to agree. But we think there is a strong possibility of your receiving a divided recommendation.

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THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
6-9-97

June 6, 1997

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MEMORANDUM TO THE CHIEF OF STAFF
FROM RAHM EMANUEL
SUBJECT WEEKLY REPORT

CRIME/DRUGS: On Thursday the Senate Judiciary Committee will begin mark up of the Juvenile Crime Bill. The President on Wednesday is addressing the Juvenile Crime Symposium.

✓ We have pushed the Counsel's office to develop some type of regulation that requires a warning label with the purchase of a hand-gun. Counsel feels we can at least require a warning sign in the store. They think it will be a push, but possible with each hand-gun sold at a FFL. The warning would address keeping hand-guns away from children.

✓ I met with the Senate Judiciary Democratic staff on the upcoming hearings on the juvenile legislation. I explained our priorities and how to communicate them. I warned the Democrats not to be sucker punched into only discussing prevention. They should talk about Boston's approach to gangs and guns. When it comes to juvenile crime the message is gangs and guns. This tight message outflanks the Republicans tough punishment message.

In the end I think we will get direct funding for prosecutors, probation officers, Brady extension, stiffer penalties for gun crimes, and after school prevention programs. The GOP will do almost anything to avoid trigger locks, therefore, we are using trigger locks to leverage the above items. The overall bill will still have some harsh items on juveniles in adult courts and strict forms of punishment.

The Treasury Department is preparing their Hand-Gun Tracking Report to be issued in mid July. We are still working on extending the project to ten additional cities.

I have asked Justice to review the last five years of crime data and reach some conclusion as to why crime is dropping. I was clear that five straight years of crime reduction must be enough data to draw some sort of conclusion.

✓ **FAMILY:** I met with Don Gipps from the Vice President's office to review the progress on the new TV ratings. It is his belief that we could announce the TV ratings on the 18th. He also thought we needed to include members of Congress to bring in family groups and industry representatives. I think we should schedule this for the 18th otherwise we lose this issue to the

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Hill.

CAMPAIGN FINANCE: The FEC petition received extensive print coverage but little TV coverage. I will say I was very surprised at the quality and depth of the coverage. Taking the time to line up Congressman Shays has helped us push Senator McCain into a corner and made him appear partisan.

The groups are going to push on the FEC appointments and say we are not serious unless we change our nominees. I think we can survive such a challenge, but we should know the elite press likes this line of attack. My push back includes the funding supplemental that we have supported and the Congress has cut.

The next move we will make is to file an amicus brief in the Sixth Circuit regarding Ohio's judicial elections and their spending limits. The case goes to the heart of Buckley and we will be on record as supporting the constitutionality of spending limits.

The Free TV Commission is ready to be announced at the end of the month.

I have also asked Norm Ornstein to draft a memo on the FCC and their ability to pursue the public interest of the airwaves without a commission. I should be receiving the memo in a few days.

EDUCATION: There is a new international report on math scores. I have suggested to Scheduling that the President announce the scores and use them to push his national standards agenda.

I attended Mayor Daley's speech at the press club on Chicago public schools. His speech received coverage on the front page of the New York Times. The schools have adopted a very serious "social promotion" policy and it has led to 40,000 kids required to attend summer school. He is on to something that we need to be apart of. I will try to get a copy of the speech for the President.

AGENDA: I cannot stress enough the importance of the President giving a major address on his desire to pursue bi-partisan entitlement reform at the end of the budget process. With the deficit and taxes removed as issues we can pursue real reform for the preservation of the programs and not for any other reason. Announcing our full support for entitlement reform puts the Administration ahead of a story, provides a two step logic to our budget strategy, and enables us to stand by the integrity of the programs.

Our meetings with the House and Senate Democratic leadership staff on the 1998 agenda is progressing slowly. However, they did produce a very good document on the issues they want to pursue that are close to our agenda. I will provide a copy of the memo for you on Monday.

I have attached two documents; next week's CNN/Time poll and a DNC update on what we have learned about the GOP this week.

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN

6-9-97

June 6, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Emily Bromberg
Lynn Cutler
Fred DuVal

SUBJECT: Weekly Report - Office of Intergovernmental Affairs

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On Friday, June 6, Mickey Ibarra started as Director of the Office of the Intergovernmental Affairs. Mickey participated in a briefing with the Vice President and the leadership of the "Big Seven" intergovernmental organizations. Mickey also participated in a joint interview for a local television station from Salt Lake City with Salt Lake City Mayor Deedee Corradini (D), who was in Washington for the "Big Seven" meeting.

"Big Seven" Meeting with the Vice President: The Vice President met with the Executive Directors and leaders of the bi-partisan "Big Seven" intergovernmental organizations on Friday, June 6. The "Big Seven," which includes the National Governors' Association, the National Conference of State Legislatures, the National Association of Counties, the U.S. Conference of Mayors, the National League of Cities, the Council of State Governments, and the International City/County Management Association, identifies those state-federal issues on which each organization has common positions.

This meeting provided an opportunity for the "Big Seven" leadership to present their concerns regarding the Clean Air Act and unfunded mandates issues, telecommunications issues, and yield burning/spectrum. Furthermore, it was a valuable forum for the Vice President to emphasize our efforts to strengthen cooperation between the Administration and state and local governments. The group expressed appreciation for your elimination of the Medicaid per-capita cap and general support for the reauthorization of ISTEA. Attached is an overview of the consensus concerns of the "Big Seven."

EPA Air Quality Regulations: Governors and local elected officials, primarily in the Midwest and in Southern states, are expressing strong concern about both the standards and timetable applied in the proposed EPA air quality regulation. Chicago Mayor Richard M. Daley (D-Chicago) spoke for the "Big Seven" in their meeting with the Vice President in expressing concern about the impact of the regulations. Mayor Daley also expressed concerns that insufficient input had been considered by EPA in the development of the regulations.

China MFN Status: We are drafting a statement of support for China/MFN to be voted on at the National Governors' Association Annual Meeting in late July. This letter reflects the support

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for an existing policy in favor of MFN status adopted last year.

 **Governor Chiles (D-FL):** The Governor has asked for a written statement of the Administration's support for an increase in funding for the Everglades in the budget. We are working with CEQ to produce this document.

Fair Labor Standards Act: The National Governors' Association Human Resources Committee was unable to reach a consensus position on how to address the effects of applying the Fair Labor Standards Act to the welfare reform law. The policy options considered include: exempting workfare participants from the FLSA; allowing Medicaid, child care, and housing benefits to count toward the calculation of the minimum wage; and expanding the definition of work to include job search, education, and training. Next week, the Executive Committee of NGA will consider these issues and attempt to agree on a policy option.

Crime and Drugs in Public Housing Press Conference: We extended invitations to the mayors of thirteen priority cities for the "Get Tough on Crime and Drugs in Public Housing" campaign press conference with the Vice President. We coordinated the speaking involvement of Atlanta Mayor Bill Campbell (D) in the program. Additionally, several other mayors were in attendance. As follow-up to this press conference, we are providing the thirteen mayors with the appropriate background information concerning the impact of this new enforcement and prevention strategy on their communities.

Immigration: On Monday, June 9, and Tuesday, June 10, Mayor Rudolph Giuliani (R-New York) is hosting a bipartisan group of city and county officials in New York to discuss immigration policy as it relates to welfare reform. The closing session for the meeting is being held on Ellis Island.

Indian Gaming Tax: Secretary Babbitt and Attorney General Reno are sending letters which oppose move to tax indian revenues to the Ways and Means Committees in both houses of Congress regarding the Indian Gaming Tax issue. We expect Chairman Bill Archer (R-TX) to propose a tax on Indian gaming in the House. A letter from a bipartisan group of Senators in opposition to taxation of tribal nations has been directed to Senators William Roth and Patrick Moynihan. It is the Treasury Department's preference to testify verbally about the issue and not send a letter. Our legislative affairs office is tracking this issue closely, and convened an interagency meeting on the topic.

Native American Affairs: We attended the signing of the Interior-Commerce agreement on the Endangered Species Act which included several tribal leaders. This agreement served as an effective model for cooperative effort on behalf of the tribes.

Upcoming Briefings: On Wednesday, June 11, we are hosting a briefing for several county representatives on the Disproportionate Share Hospitals and Medicaid in light of the current balanced budget discussions. Chris Jennings will be speaking at the briefing. The participants represent counties with large public hospitals that will be impacted by DSH targeting. Also next week, we will host a meeting of Large Urban County representatives on Thursday, June 12. At this session, we will ask the county officials to deliver a report on their progress in hiring welfare recipients.

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Race Reconciliation: We have been attending all of the meetings focussing on race reconciliation. In making several calls to elected officials, to Indian country, and to other national leaders, we have found tremendous support for this undertaking and congratulations to you for undertaking it. We received useful ideas from many of the African American mayors, from Dr. Joan Campbell, from Bill Bradley, and from Mario Cuomo.

USCM: We have begun planning for the Annual Meeting of the U.S. Conference of Mayors June 20 - 24 in San Francisco. Both you and the Vice President will attend, in addition to Secretary of State Albright, Secretary Cuomo, Secretary Slater, and Secretary Herman. In order to have a unified and strong Administration message and presence at this conference, we initiated inter-agency conference calls focussing on message and strategy. This meeting will provide a tremendous opportunity for you to engage the mayors in the race initiative and challenge them to implement your initiative at the local level.

ACIR: Governor Winter has resigned as Chair of the Advisory Commission on Intergovernmental Relations, which exists now for the purpose of doing studies on gaming. Mayor Ed Rendell has been elected as Vice-Chair and will serve as head of the Commission for the duration of the studies.

Puerto Rico Medicare Initiative: Ways and Means Chairman Archer and Health Subcommittee Chairman Thomas indicated that they would amend their Medicare legislation to provide for more equal treatment of Puerto Rico in hospital services payment rates. After you raised your proposal in Tuesday's meeting with them, Resources Committee Chairman Don Young raised the issue with them at our suggestion, and Hispanic Caucus Chair Becerra joined Puerto Ricans in lobbying for your proposal. Your proposal was also supported by the American Hospital Association.

Puerto Rico Status Legislation: Talks with the House Resources Committee on its bill to call for Puerto Ricans to choose among continuing the status quo (Commonwealth), nationhood, and statehood made progress on lesser issues but not on the Commonwealth option. We stepped up efforts to get Chairman Young to compromise with Ranking Democrat George Miller when Young suggested that he may try to take the bill to the House Floor soon.

Alvarez Trip: We worked with SBA Administrator Alvarez on her first visit to Puerto Rico as the first Puerto Rican in a Cabinet and to address issues raised by Governor Pedro Rossello's administration.

Mariana Labor System: House Resources Ranking Democrat George Miller praised your decision to work on legislation to include the Northern Mariana Islands in Federal immigration and minimum wage laws but Majority Leader Arney joined Governor Tenorio in questioning it. Meanwhile, a Philippines government agency recommended prohibiting Filipinos from going to the U.S. islands to work because of abuse of alien workers there.

**Council of State Governments
International City/County Management Association
National Association of Counties
National Conference of State Legislatures
National Governors' Association
National League of Cities
The United States Conference of Mayors**

CONSENSUS CONCERNS

1. CLEAN AIR/UNFUNDED MANDATE REFORM ACT

By July 19, 1997, the U.S. Environmental Protection Agency must promulgate final rules revising standards for ozone and particulate matter. All state and local government associations have objected to the Administration's arguments that developing cost estimates on the standards are not compulsory during the health standard-setting phase.

- The U.S. Environmental Protection Agency and Office of Management and Budget must now comply with the requirements of the Unfunded Mandate Reform Act and the principles of Executive Orders 12866 and 12875 and provide estimates of mandated costs to be borne potentially by state and local governments through revisions to Clean Air Act standards for ozone and particulate matter.
- The Administration should reinforce its commitment to CMA and its executive orders across all agencies.

2. TELECOMMUNICATIONS

A Senate committee markup of legislation, S: 442, that would impose a moratorium on state and local government taxing authority regarding the Internet and on-line services is expected in June. Similar legislation has been introduced in the House. As was stated in a May 29, 1997 letter to Vice President Gore, this legislation "preempts state and local government authority and could lead to unfair competition in the marketplace."

- We urge the Administration to work with us to (1) protect state and local government authority to levy telecommunication-related taxes and (2) to find a mutually beneficial way of addressing legitimate concerns over Internet taxation.

The Federal Communications Commission has already issued orders, and is in the process of acting on new orders, that undermine traditional state and local government authority over zoning and public rights-of way. If upheld, these FCC actions would

preempt legitimate state and local governments powers and negate the intent of the Telecommunications Act of 1996.

- We urge the Administration to work with us to protect state and local authority to manage public rights of way and to be compensated for their use by private companies. Similarly, our legal powers to make land use and zoning decisions on siting of telecommunications facilities must be protected.

3. YIELD BURNING

A proposed U.S. Treasury Department revenue procedure (96-41) and notice (96-49) would compel remittance of what IRS believes are overcharges on bond refinancings executed by state and local governments in 1991-94. We have attempted to meet with all of the appropriate agency officials in our effort to have this procedure rescinded. That matter is still pending.

- We seek the Administration's support in having this procedure withdrawn.
- This procedure is yet another example of the Unfunded Mandate Reform Act being ignored since it, if executed, would have a significant fiscal impact on state and local governments.

ISSUES ADDRESSED IN THE BUDGET AGREEMENT

4. MEDICAID

We are pleased that the proposal to impose a per capita cap on federal contributions to Medicaid has been dropped.

5. SPECTRUM

We are pleased that the budget agreement ensures that 24 MHz of spectrum will be set aside exclusively for state and local government public safety, protection and emergency rescue purposes.

6. TRANSPORTATION

While we acknowledge the very modest increase in transportation funding provided for in the budget agreement, it is far short of our objective.

- We offer to continue to work with you to see that (1) overall transportation financing is notably increased, (2) all transportation trust fund receipts are expended and (3) unfunded federal mandates utilizing transportation fund withholding as a sanction are avoided.

MEDICINE

A New 'Super-Bug' Alarm

When Dustin Hoffman battled a vicious microbial killer in the film *Outbreak*, he struck a nerve with a public increasingly frightened of catching an incurable infectious disease. Scientists have been warning for years that drug-resistant bacteria are a health risk; now concern has crept up a notch.

Late last year, a report by the United Nations' World Health Organization found that antibiotic-resistant microbes—sometimes called "super-bugs"—were a growing threat. "We are standing on the brink of a global crisis in infectious diseases," says Hiroshi Nakajima, the organization's director-general. The question is whether, and how quickly, scientists can come up with new antibiotics to head off that crisis—and pharmaceutical companies, seeing higher profits, are taking a new interest.

A number of antibiotics have been launched this decade, including Smith-Kline Beecham's Augmentin, and Merrem, developed by Imperial Chemical Industries. Yet these broad-spectrum antibiotics, which treat a number of infections, are merely new twists on existing treatments, and scientists fear the bacteria will find their way around the drugs far too quickly. What is needed, say researchers, is an entirely new class of drugs to deal a decisive blow to super-bugs by attacking completely new microbial functions.

Drug companies are betting their efforts will pay off soon, with some—including Glaxo, Bristol-Myers Squibb, Cubist Pharmaceuticals, Sepracor, and Merck—predicting they will launch a new generation of antibiotics within the next five years. "This time around, we can squeeze the discovery process dramatically," says David Southwell, chief financial officer of Sepracor.

Whereas early

antibiotics were discovered by old-fashioned trial and error, research now uses knowledge of molecules and genes to select specific "targets" for medicines and then design, by computer, substances to fit those targets. When likely candidates are selected, robots screen the chemicals far more quickly than could be done manually.

Other scientists are skeptical that success will come more easily in the 1990s than in previous decades. One problem is that the most obvious targets have already been explored. "Part of the dilemma is that as organisms become more resistant, it becomes more difficult to find active agents against them," says Allan Weinstein, a researcher at Eli Lilly. "There has not been a significant new antibiotic in over five years. In the past, it was easier."

Researchers are also split over the safety of the next generation of drugs. Some believe improved molecular and genomic knowledge will allow scientists to create "cleaner" antibiotics with fewer side effects. Others say that it is increasingly difficult to locate enzymes that do not occur naturally in the human body. By interfering with normal bodily functions, new drugs might be far more toxic than the old ones.

Even in the most optimistic scenario, novel antibiotics will not be available until 2002 or later. By then, health officials predict, super-bugs may be respon-

sible for millions of deaths each year. Resistant streptococcus pneumonia, which first surfaced in Spain a few years ago and is now invading the rest of Europe and the U.S., is of growing concern, particularly since it is often fatal to children.

"Millions of people could die over the next few years because of that one illness," says Francis Tally, vice-president of Cubist. As resistance develops, physicians are often forced to turn to last-resort antibiotics, which can cause debilitating side effects. Over the past few years, certain bacteria have formed immunity to even these drugs.

In hindsight, it seems that scientists declared victory over infectious diseases far too early. "These microbes have been around for a billion years," says Daniel Bonner, director of microbiology at Bristol-Myers Squibb. "It was arrogant to believe we could conquer them in a few decades. What we did was impressive, but it was an anomaly. Human beings will never consider themselves safe from infectious disease again the way they did in the 1950s and 1960s."

Even early on, researchers realized that some bacteria could mutate to resist treatment. Yet those microbes were considered the exception. Not until the emergence of penicillin-resistant gonorrhea in the 1980s, together with the realization that all bacteria exchange genetic information with each other, did health officials begin to understand the true extent of the threat.

Now health officials believe too little is being done. "Too few new drugs are being developed to replace those that have lost their effectiveness," says the World Health Organization. "In the race for supremacy, microbes are sprinting ahead."

—Victoria Griffith, "Financial Times" (centrist), London, Jan. 14, 1997.



Cummings/Winnipeg Free Press

THE AMERICAS

MEXICO

Tension in Chiapas

Much of Mexico's southern state of Chiapas is under siege, and there is no end in sight, reports the leftist *La Jornada* of Mexico City. Talks between the government and representatives of the Zapatista National Liberation Army planned for April were canceled due to fears for the negotiators' safety.

Recent months have seen a buildup of tens of thousands of government troops in the region, writes Phil Davison in London's centrist *Independent*. No travel is possible except under army surveillance.

"Human-rights officials say paramilitary groups, armed and backed by the military and police, have assassinated an average of five peasants a day over the last few months in . . . Chiapas, where the Zapatista rebels rose up in 1994 and have widespread support," writes Davison.

Asked when the troops would leave and freedom of movement would be restored, the military commander for the region, General Mario Renán Castillo, told *La Jornada* reporter Angeles Mariscal that the soldiers would retreat only under orders from Congress.

Tensions increased in March when two Jesuit priests and two farmers traveling with them were arrested and jailed for several weeks under suspicion that they were implicated in the deaths of two policemen, reports *La Jornada*. After popular protests, the men were released.

With political and social tension growing, says the

paper, "Only an effort by all the parties involved to compromise and begin a dialogue regarding the rights of the indigenous people can reconstruct the social fabric."

HAITI

Mission Impossible?

The political situation in Haiti is so deplorable that the United Nations has decided to extend its peace-keeping mandate past the July 31 deadline. Linda Diebel writes in the liberal *Toronto Star* that 1,300 UN troops—more than half of them from Canada—will remain in Haiti until the end of the year.

"The country is in turmoil," says Diebel. "The most chilling event is the reemergence of the ruthless Tontons Macoutes killers from the Duvalier years." During six weeks in March and April, 50 people were killed in ambushes and sporadic fighting, including eight policemen, the justice minister's chief of security, and numerous civilians. In April, says Diebel, the government "barely survived a no-confidence vote."

Then on April 6, only 5 percent of voters cast ballots in legislative elections, reports the conservative *Haiti en Marche* of Port-au-Prince.

The Canadian foreign affairs minister, Lloyd Axworthy, told reporters that Haiti's new police force is "confident" that it can take over from the UN forces at the end of December. "But a damning report by Human Rights Watch/Americas this January documented the killing of at least 15 civilians and the torture of countless others by these very Haitian police officers over an 18-month period," writes Diebel. "Not one

officer has been convicted."

Diebel says U.S. advisers have been in too much of a hurry to "crank out 5,000 police recruits." It takes far longer than three months to create police officers from raw recruits.

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took control of city halls in seven major urban centers," writes Lanchin. The FMLN nearly doubled its representation in Congress, running neck and neck with the ruling National Republican Alliance (ARENA), which retains a narrow majority.

"The results represent the most important advance for a left-wing party in Central America since the Sandinistas took power in Nicaragua in 1979," says Lanchin.

CUBA

A Helms-Burton Deal

On the eve of court proceedings by the European Union (EU) against the U.S., the two parties reached a compromise on trade with Cuba, write Lionel Barber and Guy de Jonquières in the centrist *Financial Times* of London.

The deal hangs on President Bill Clinton's willingness "to limit the application of Helms-Burton, [a law that]

THE PRESIDENT HAS SEEN

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penalizes foreign companies 'trafficking' in Cuban assets confiscated by the Castro regime," says the *Financial Times*. Specifically, the EU wants the U.S. to waive a provision in the law requiring the U.S. to deny visas to executives of foreign companies doing business in Cuba. In return, the EU will suspend its complaint with the World Trade Organization (WTO) against Helms-Burton.

"Both the EU and the U.S. are anxious to avoid a confrontation . . . because a rift between the world's leading trade powers could undermine the authority" of the WTO, say Barber and De Jonquières.

—B. J. KOWALSKI

THE FORMER SOVIET UNION

BELARUS

Integration Intrigue

It brought a yawn from most Americans, but the proposed union between Russia and Belarus sparked fierce infighting in the Kremlin and a brutal police crackdown on anti-union protesters in the Belarussian capital of Minsk.

Georgy Bovt and Natalya Kalashnikova of Moscow's liberal *Sevodnya* summed up the issues: The Russian advocates say, "At last! A union of Slavic peoples is being revived, and Russia gets an outlet to Europe." The opponents, wary of Belarussian President Aleksandr Lukashenko, say, "Disaster! That strangler of freedom Lukashenko is going to extend

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included "the lifting of bread subsidies and the ensuing violence in the south, incessant confrontations with [parliamentary] deputies, arrests of journalists, [and] attacks on the Iraqi leadership . . . But Kabariti said it many times; that he was not seeking popularity—and indeed he never got it."

Kabariti's replacement, Abdul Salam-al Majali, who headed the government from 1993 to 1995, is viewed as a conciliatory figure who "was credited with running a tolerant government, especially in relation to freedom of the press and strengthening democratic practices." His government will lead the country through the next parliamentary elections, perhaps as early as September.

PALESTINE

Economic Woes

The economic situation in the West Bank and Gaza has gone from bad to worse since the beginning of the Oslo peace process, according to a new report by the International Monetary Fund (IMF), reports David Gardner in London's centrist *Financial Times*.

Unemployment in the Palestinian areas has nearly doubled, from 18 percent in 1993 to 34.2 percent, while overall investment has slumped from 28 percent of gross domestic product (GDP) in 1992 to 18 percent, while the trade deficit has ballooned to 38 percent of GDP.

Israel's blockade of the territories, which was in force sporadically in 1994 and 1995 but has been constant since March, 1996, is responsible for most of the deterioration, Gardner writes. The IMF es-

timates that the average number of Palestinians who were allowed to work in Israel in 1996 was 25,100; there were 116,000 in 1992.

Among the report's positive findings, Gardner says, is that "the Palestinian Authority has done better than expected in establishing a fiscal administration and budgetary stability." According to Gardner, the author of the IMF report, Milan Zavadjil, continues to be optimistic: "There is massive potential, especially because [the Palestinian economy] is not burdened by structural distortions, and there is an almost complete absence of debt."

ISRAEL

All Shook Up

A powerful earthquake is expected to hit Israel in the near future, but the country has not taken any of the necessary precautions, reports Yehudit Vinkler in the liberal *Ha'aretz* of Tel Aviv.

"An earthquake could happen today, tomorrow, in a year, or in 10 years," Avi Shapira recently told a parliamentary committee. "We are sitting on top of the Syrian-African fault, along which earthquakes have been occurring for the past 20 million years." Shapira, director of seismology at Israel's Institute for Petroleum Research and Geophysics, says his research indicates that a major quake will hit Israel in the next 50 years. In 1927, an earthquake north of the Dead Sea killed 300 people.

"Earthquakes cannot be prevented," *Ha'aretz* quotes him as saying. "What bothers me is that no preparations have been made for an earthquake disaster." There are no

emergency plans, no guidelines for schools and public institutions on what to do after an earthquake, and no earthquake drills for rescue and relief organizations.

And he says that lax enforcement of construction standards could result in "thousands of factories and residential buildings" being "death traps."

KUWAIT

Under the Veil

A Kuwaiti University has fired a professor who suggested that homosexuality exists in the emirate. Kathy Evans reports in the liberal *Guardian* of London that Alia Shoaib remarked in a casual conversation with a student that lesbianism was rampant among students and that she had witnessed two women, one heavily veiled, having sex in a university lavatory. The student published Shoaib's comments in a local magazine, which now faces charges of obscenity.

According to Evans, Shoaib is a feminist who maintains that segregation of men and women in Muslim society causes sexual repression. "Sexuality is locked up and is therefore being expressed in unorthodox forms," she told Evans. "The gay lifestyle in the West is much more healthy."

In addition to losing her job, Shoaib claims that authorities have even hinted that her citizenship may be revoked. She is also attacked for her collections of short stories and poems that contain sexual themes. The president of the university says, "Ours is a Muslim society, and homosexuality is against Islam."

—AVNER GIDRON

Nation of Johannesburg reports that the country's Truth and Reconciliation Commission has asked for the bodies of four people to be exhumed from shallow graves at a farm in kwaZulu-Natal province. All are believed to be missing political prisoners.

Joe Mamasela, who says he worked on alleged death farms, tells the *New Nation*: "There were a lot of abuses at those farms, and I cannot discount that there are bodies buried there." According to Mamasela, the farms were used as late as 1991, the year the ban on the African National Congress (ANC) was lifted. Most of the farms were bought with "SAP discretionary funds," he tells the paper: "As there were prospects of a new government coming in, there was an attempt to dry out some of these funds."

ANGOLA

Real Peace or Respite?

As the United Nations withdraws its peace-keeping troops from Angola, some observers wonder whether peace is lasting or if war will resume. The settlement negotiated under UN auspices between the government of President Jose Eduardo dos Santos and the rebel movement, UNITA, headed by Jonas Savimbi, has held, but

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Opposition political parties suspect that Hanbo got as much as \$5.7 billion in loans due to strong political backing.

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The Finance and Economics Board reported that 27 small firms have become insolvent following Hanbo's demise.

So far, Hyundai may be the only *chaebol* in a position to buy Hanbo, but the group has denied any interest in the purchase. In the end, the banks may just have to write off a big chunk of their loans—and hope no other leveraged behemoth bites the dust.

—Laxmi Nakarmi, "Asiaweek"
(independent newsmagazine),
Hong Kong, Feb. 7, 1997.

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plants used in traditional medicine contain some proven medicinal substance. The only work for the laboratory involved is finding the plant, isolating the active ingredient, and patenting it. Patients throughout the world stand to gain from such bio-piracy—if they can pay the price for the products on the market. Today, the countries from which the medicinal substances are stolen are losing some \$5.4 billion a year in royalties.

The Convention on Biological Diversity, signed by 144 countries, says that, if a company makes a discovery based on the plants, animals, or genetic material of any country, the company should pay royalties

for the use of that raw material. The royalties increase if the preparation is already in use in the country of origin (as with the *muirapuama*, an Amazon plant patented in Japan as a remedy for impotence). The international agreement sets these payments at 3-5 percent of the value of the sales. The problem is that most countries, including Brazil, have not yet passed regulations for enforcing the convention, and the U.S. has not ratified

"There are two forms of bio-piracy," says Laymert Garcia dos Santos of Unicamp. "First, people take advantage of gaps in the law to patent substances from the forests without paying the compensation required under international treaties. Second, people patent substances that are already in general use." It's the experts' way of laying hands on what does not belong to them. "The patent is valid only in the country where it is recorded. But, once that is done, other countries may recognize it too," explains Francisco Eugênio Aranco, an international law adviser to Brazil's Senate.

A typical case is that of the vine known as *santo-daime*, or *ayahuasca*. The tea made from this plant is considered sacred by Amazon tribes. Last June, the International Plant Medicine Corp. patented it in the U.S. under a law that

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allows plant varieties to be registered.

These adventures in the jungle are creating a new type of business, that of the prospectors who go rummaging around the rain forests and uproot samples for sale to corporations. This business is worth some \$60 million a year in the U.S. and includes both plants and human genetic material. You can't patent human beings, but many countries are allowing the patenting of individual human genes or of microorganisms engineered in the laboratory that incorporate such genes.

In this marketplace, samples of DNA from the Indians of Brazil's Rondônia province can be purchased at Corieli Cell Repositories of New Jersey for \$500. The gene boom has already resulted in some major deals. Sequana Therapeutics, for example, gathered blood samples from 26 natives of African islands and immediately signed a \$70-million contract with the German firm Boehringer to use the samples in research on asthma.

Professor Luiz Federico Arruda of Manaus University reckons that 20,000 plant samples have been removed from the Amazon. The Foundation for Ethnobiology has applied for a patent on two preparations extracted from Amazon plants: one for treatment of tumors, the other for heart trouble. U.S. laboratories are selling 258 samples of bacteria gathered in Brazil. Bio-prospectors go looking in the strangest places for their finds, such as fragments of human fingernails, sores from pork livers, and sloth blood. From that exotic brew, 23 microorganisms have already been patented.

Bio-piracy is slowly becoming recognized as a problem. In Brazil, a bill against the practice is still far from reaching the floor of the legislature. The main problem is deciding how much entrepreneurs should pay for the natural resources and to whom they should pay it. For example, should royalties for use of Indians' DNA go to the tribe donating the blood or to the government of the country where the Indians live? And what about plants? So long as questions like those remain unanswered, the rain-forest gravy train will keep rolling.

—Ernesto Bernardes, "Veja" (centrist newsmagazine), São Paulo, Jan. 15, 1997.

NOTES ON BUSINESS AND THE ECONOMY

■ Revived Red Icons

Would you buy a car from Karl Marx? Whatever the ideological paradox, Marx—along with Vladimir Lenin, Mao Zedong, and Joseph Stalin—has been exhumed from post-cold war limbo to advertise French consumer products on television, posters, and in magazines. Instead of revolution, their images sell Renault cars, Lancôme perfume, and (perhaps the ultimate indignity) the board game Monopoly.

This refashioning of Marxism-Leninism is a sign of the times, says advertis-



Kemchs/Uno Más Uno/Mexico City

ing executive Marc Loeb. Parisians age 40-45 lived through the turbulent demonstrations of 1968, says Loeb, and "were indelibly marked by those experiences. Marxist images inspire in them a mixture of tenderness and derision."

Whatever Marxism means to French baby boomers, its imagery sells. Medals, toys, and memorabilia "made in the USSR" are in great demand by collectors. And the French national lottery sold a record number of tickets after it ran an ad featuring Stalin and Mao. Thus, the former leaders of the proletariat have been recycled into leaders of conspicuous consumption.

—Eduardo Febbro, "Página 12," Buenos Aires, Jan. 12, 1997.

■ Blowing the Whistle

A new book by a Daiwa Bank bond trader says that the bank covered up \$1.1 billion in losses for years before its New York trading scandal broke in 1995.

Toshihide Iguchi, the former bond trader at Daiwa's New York branch who was blamed for the losses, says in his book, *The Confession*, that the bank tried to disguise its red ink by creating two paper companies in the Cayman Islands and transferring its troubled accounts to them.

Daiwa Bank was charged with failing to report its losses to U.S. authorities for six weeks after learning of them. The bank pleaded guilty to the coverup charge and was fined \$340 million—the largest fine ever for a financial institution—and was forced to close its operations in the U.S.

Iguchi was sentenced to four years in prison and fined \$2 million for conspiring to hide the losses.

—*"Kyodo News," reprinted in "Japan Times," Tokyo, Jan. 27-Feb. 2, 1997.*

■ Nearly Worthless Currency

Turkey holds the dubious distinction of having the world's third most worthless currency unit, after Angola's kwanza and Zaire's zaire.

Turkish inflation last year was 79.8 percent, the same as in 1995. Turkey's central bank recently bowed to decades of double-digit inflation by launching the country's largest denomination note, worth 5 million Turkish liras—the equivalent of \$45.88. The currency's unrelenting depreciation makes basic accounting an arithmetical minefield. The Treasury's fast-growing domestic debts stood at 2.96 quadrillion Turkish liras at the end of November, and even numerate Turks occasionally get their trillions and quadrillions mixed up.

—John Barham, *"Financial Times,"* London, Jan. 7, 1997.

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people's lives by big agencies such as the United Nations and the World Bank," says Swift.

Many of the myths appear to be backed up by scientific evidence. But science usually offers a variety of views, and it is the views that best suit the needs of the funding bodies that will get funding for further studies on the same lines, warn editors Leach and Mearns. "We are not saying there is a conspiracy, because we don't believe that either the scientists or the international agencies realize they are doing this. It is an unconscious process," they say.

Leach and Mearns call for much more respect for historical evidence before taking draconian measures. They also call for democratization of the process of research and decision making. While warning against "romanticizing" the knowledge and skills of local people, Leach, Mearns, and Swift call for these voices to be given equal weight with those of foreign "experts."

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'Sticky Myths' of Green Faith

Wrongheaded articles of environmental faith can lead to well-meant policies that do great harm. Among the examples cited in the new book, *The Lie of the Land*:

■ **Myth:** Erosion gullies cause soil erosion and must be filled in.

Alternative view: Soil erosion causes gullies; filling them in is pointless.

■ **Myth:** Planting trees protects soil against erosion.

More complicated reality: Some trees in some places are good; other trees in other places not so. For example, eucalyptus planted in the dry areas where they are most popular can dry out the soil and cause more erosion.

■ **Myth:** The Ethiopian famine of the 1980s was caused by population pressure that in turn led to land degradation. It could have been relieved by technical measures such as terracing and stone lines.

View looking back: The chief causes of famine were political, including chronic insecurity of land rights and the inability of farmers to save money to see them through lean years. Terracing and stone lines in fact reduce agricultural yield, later research showed.

■ **Myth:** Cutting trees for fuel wood will deforest large areas of dry land and savanna in the near future, and it is therefore essential to establish formal wood lots.

More complicated reality: Most fuel wood comes from renewable sources, and if a source diminishes, other fuels are sought. Problems are often of access rather than quantity of wood present. Wood lots planted at the instigation of outsiders may be a loss of tillable land rather than a gain of fuel.

■ **Myth:** Nomadic herders cause environmental damage and loss of wildlife, and so must be forced to settle.

Alternative view: Pastoralists can often coexist with wildlife, but if they are excluded from their range lands and forced into enclosed areas for grazing, serious overgrazing and social and environmental problems can occur.

—*Gemini News Service, Oct. 18, 1996.*

GEOLOGY

The Fire Next Time

It is September 12, 2001. The sky is a menacing iron gray and has been so since the explosion several months ago. Snow lies two feet deep on London's Oxford Street, and on the frozen Thames, heavily clad crowds jostle at stalls to barter for unidentifiable meat morsels to supplement their government rations. Ice has stopped production of North Sea oil, and few vehicles attempt to negotiate the snowbound avenues. Across the planet

tens of millions of people have already frozen to death, while billions starve as the harvests fail. A combination of the freezing conditions and civil strife has triggered the breakdown of society in many countries, and the global village has fragmented into a million isolated hamlets.

This isn't the aftermath of a nuclear war or the start of a new ice age, but the possible consequences of a long-overdue

cataclysmic volcanic eruption on a scale never experienced by modern humans.

Media coverage of recent volcanic eruptions—such as that of Ruapehu, New Zealand, in June—has failed to convey how utterly destructive they can be. Current estimates suggest that there are 500 to 700 active volcanoes, of which around 50 or so erupt every year. Some, like Stromboli in Italy, are continually active, while others, such as Teide on

The Guardian



Mount Saint Helens: Not a really big eruption.

Tenerife, in the Canary Islands, haven't erupted for decades. Of most concern are volcanoes that have lain dormant for centuries—sometimes for so long that the local inhabitants have forgotten they are volcanoes at all. Generally speaking, the longer the dormancy period, the bigger the bang. This was most recently demonstrated by Pinatubo, the Philippine volcano that exploded in 1991 for the first time in living memory.

We can be virtually certain that the next catastrophic eruption will occur where we least expect it, probably at a volcano that has not erupted for several hundred years and perhaps even a volcano that was thought to be extinct.

Modern civilization has never experienced a really big eruption. On the logarithmic Volcanic Explosivity Index (VEI), which measures the violence of eruptions on a scale like that of earthquakes, the explosion of Mount Saint Helens in 1980 merits only a 5, and Pinatubo—which was 10 times more powerful—gets a 6. At 7 on the index, the

1815 eruption of Tambora, Indonesia, was 10 times as violent as Pinatubo and 100 times more powerful than Mount Saint Helens. On average, VEI 5 eruptions occur once a decade; a 6 can be expected every century, and a 7 every millennium or two.

The impact of eruptions up to VEI 5 is confined to the surrounding region, but anything at 6 or higher has the potential to influence the entire planet through its effect on the global climate. The eruption of Tambora led to a dramatic fall in the temperatures of North America and Europe during the following year—known as the “year without a summer”—and even Pinatubo managed to reduce global temperatures by 0.9 degree Fahrenheit for a number of years. Such temperature drops result from the quantities of fine dust and sulfur particles ejected into the at-

mosphere, which reflect and absorb solar radiation, preventing it from reaching the surface of the Earth. Pinatubo ejected enough debris to leave a hole more than two miles wide and 3,000 feet deep, while Tambora blasted out sufficient material to create a crater of similar depth more than 10 miles across.

These figures pale into insignificance when compared with the eruption of Toba, Sumatra, around 73,000 years ago—the last VEI 8 event. This gigantic explosion pumped more than 1,750 cubic miles of ash and sulfur into the atmosphere, sufficient to excavate a 3,000-foot hole more than 35 miles across—big enough to swallow Greater London. As the cloud spread across the planet, temperatures plummeted, and the Earth entered a volcanic winter. Temperatures that were as much as 22 degrees Fahrenheit below normal resulted in freezing

conditions in Europe and North America, which may have persisted for several years. Toba may have been the trigger that plunged an already cooling planet into the last ice age.

Currently, about 10 percent of the Earth's population lives close to an active volcano, and this is certain to increase as the populations of developing countries continue to rise. Unless action is taken, volcanic disasters will become more frequent and death tolls will rise. Of the volcanoes for which we have accurate records, several are now overdue, and some are showing signs of renewed life. The magma system at Mount Etna in Sicily is full once more following the biggest eruption in 300 years, which ended in 1993.

Two other Italian volcanoes may also become reactivated soon. One, Vulcano, last erupted in 1888, but has shown signs of increased activity over the past decade. Of much greater concern is Vesuvius, a dangerously explosive volcano now almost completely encircled by the teeming city of Naples. In 79 A.D. it devastated the ancient cities of Pompeii and Herculaneum, burying them for nearly 2,000 years under ash and pumice. Vesuvius recently experienced the highest number of earthquakes that it has had in 50 years. Its eruption would threaten the lives of more than a million people in the Bay of Naples.

“A volcanic winter could devastate the global economy. And we are overdue for one.”

A VEI 8 eruption on the scale of Toba would be unimaginably worse, devastating the global economy through catastrophic alteration of the planet's climate. Although a return to a normal climate might be expected within a few years, the social and economic effects would last much longer, potentially resulting in a dramatic realignment of the world order. And it is not a matter of whether we experience another Toba, but when. Evidence from the geological record suggests that VEI 8 eruptions occur twice every 100,000 years, so we are living on borrowed time.

—Bill McGuire, *“The Guardian”* (liberal), London, Sept. 12, 1996.

Early Warning

THE PRESIDENT HAS SEEN

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MIDDLE EAST

■ The man deemed by Washington as the West's most dangerous Islamic fundamentalist enemy has vowed to step up attacks on U.S. military operations in Saudi Arabia. Dissident Saudi billionaire Osama Bin Ladin [COVER STORY, October, 1996] says he has secured the support of sympathetic Pakistanis for his *ji*ihad to push the U.S. out of the oil kingdom and the Persian Gulf. Tens of thousands of Pakistanis live in Saudi Arabia as immigrant workers, so such support could mean trouble for Americans. Bin Ladin also says that some members of the Saudi royal family agree with his over-

all aim. [*The Independent*, London] ■ A reconciliation of sorts between Iran and its Arabian neighbors is an unintended consequence of U.S.-Israeli harmony. Although Tehran has traditionally quarreled with Arabs, they are united in opposition to the way the Oslo peace accords have been applied by Israel with U.S. support. The Arab "flirtation" with Iran is not without limits, however; most countries cannot afford to harm their relations with Washington, and many still suspect Iran of attempting to destabilize their regimes. [*Le Monde*, Paris]

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of immigrants from China are, which has stiffened the penalties and plans to reinforce its coast were caught in the first three in all of last year. A rise in assaults

and robberies, often committed by poor Chinese arrivals, has reinforced a general distrust of foreigners. But an alliance between gangsters in Japan's Yakuza and the Hong Kong-based Triads is what really concerns police. [*Der Spiegel*, Hamburg]

ome that could grow to more than \$142 billion by 2005, Norway appears destined to become a major player in world financial markets. Unlike many governments with windfall incomes, Norway seriously means to invest its nest egg overseas. Although the government oil fund is only about \$7.1 billion today, it will double by year's end. Financial managers plan to direct investment into any promising market—

rather than the current strategy of low-risk bonds and securities. [*Dagens Naeringsliv*, Oslo] ■ Newfoundland is emerging in Canada's oil industry and could benefit from some petrodollars. Its \$4.1-billion Hibernia offshore oil platform is scheduled to begin pumping in December, and two more Atlantic Ocean projects are scheduled to be running after the turn of the century. [*Globe and Mail*, Toronto]

ALBANIA

■ The success of the Italian-led peace-keeping operation in Albania may hinge on the future of two shaky governments: one of "national unity" in Tirana and the slightly precarious left-center coalition in Rome. In Italy, Prime Minister Romano Prodi has survived an early challenge from a governing partner that objected to the troop deployment. Although the U.S. appears uninvolved in the operation, it is in fact offering full

support from the sidelines. [*The Independent*, London] ■ The substantial Albanian minority in the former Yugoslav republic of Macedonia might be moving to rebellion. A serious development is the profusion and trafficking of weapons: Albanians, who account for about one fourth of Macedonia's population and feel the Skopje government denies them rights, could easily form resistance militias. [*Le Monde*, Paris]

HORSES

■ Australia is a new breeding ground for Arabian endurance horses that excel in desert marathons and other equestrian events. The export of these purebreds was virtually nonexistent five years ago. In 2000, the

biennial meeting of the World Arabian Horse Organization, held in Abu Dhabi last year, will come to Australia's Gold Coast. [*The Australian*, Sydney]

—BARRY SHELBY

HONORARY PARTICIPATION REQUEST

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Today's Date: June 6, 1997

Date of Request: 4/18/97
Request for: POTUS/FLOTUS
Type of Request: Honorary Patrons
Requestor Name: Mr. David C. Levy
Title: President and Director
Address: The Corcoran Gallery of Art
500 Seventeenth Street, N.W.
Washington, D.C. 20006-4804
Contact Tel. #: (202) 639-1735
Event Date: 9/9/97
Event Description: Dinner in Honor of Gordon Parks
Notes: Sponsored in part by the Ford Motor Company and Time Warner Inc., this dinner will celebrate the opening of Mr. Parks' art exhibition -- a collection of his life's work entitled "Half Past Autumn: The Art of Gordon Parks." In conjunction with this event, the Corcoran will hold community-based, educational programs for aspiring young artists. Although the guest list has not been finalized, the Corcoran expects that members of Congress will attend the dinner -- particularly members of the Congressional Black Caucus whose annual convention is scheduled for the same week. The First Lady's Office recommends the President and First Lady accept.
The President and First Lady should ACCEPT.

Recommendations:

MV _____ TS OK
(Unless otherwise noted, a yes answer will automatically generate a message as well as acceptance of the honorary position).

Comments:



cc: Presidents
should accept

DAVID C. LEVY
President & Director

April 11, 1997

The President
and Mrs. Clinton
The White House
Washington, DC 20500

My dear Mr. President and Mrs. Clinton:

On behalf of The Corcoran Gallery of Art, Ford Motor Company and Time Warner Inc. I am pleased to invite you to serve as Honorary Patrons at a special dinner in honor of Gordon Parks on Tuesday, September 9, 1997. This event celebrates the opening of Mr. Parks' exhibition *Half Past Autumn: The Art of Gordon Parks*, a retrospective tracing the stunning career of this African-American renaissance man. The exhibition, organized by the Corcoran, opens here on September 10, 1997, initiating a four-year national tour.

Although Parks is best known as one of *Life* magazine's preeminent photojournalists, this retrospective brings together for the first time his works as a photographer, filmmaker, novelist, poet and musician. Parks has mastered many media to express his uplifting and influential message of hope in the face of adversity. His art, which transcends racial issues, has inspired generations through its eloquent and personal power.

In conjunction with the exhibition, the Corcoran, Ford and Time Warner are presenting community-based education programs that not only investigate and interpret Parks' work, but also embody its spirit to show his creative and personal search as he fought racism and poverty to rise to the top of his profession. During the day on September 9, Mr. Parks will join with artists from across the country to work with local high school students interested in photography, writing, film, poetry and music.

The dinner in honor of Mr. Parks will include members of Congress, the leaders of premier civic and social organizations, filmmakers, artists and others who have been influenced by Parks' work, and other dignitaries. It is my sincere hope that you will agree to serve as Honorary Patrons of this dinner celebrating the life and work of a true American hero, and that despite your busy schedule you will be able to attend.

I enclose additional information on the exhibition for your review. Your staff can contact me at 202-639-1735 for further information.

Sincerely,

"At 83," says Gordon Parks, "I'm a better writer, a better photographer, a better musician—a better everything."

GORDON PARKS flips on his slide projector, and the screen in his New York apartment explodes with images of extraordinary beauty. They are unlike anything seen before in the career of Parks—a photographer, writer, filmmaker, artist and musician who was a high school dropout. It is a startling display of creativity, considering that the man is 83.

The images, called *Arias in Silence*, were published in a 1994 book of the same title, and a sequel will come out this fall, called *Glimpses Toward Infinity*. Today, among other projects, Parks is completing a piano sonata and working on a book to accompany a 1997 retrospective of his work at the Corcoran Gallery of Art in Washington, D.C. He also recently completed a novel based on the life of J.M.W. Turner, the 19th-century English landscape painter.

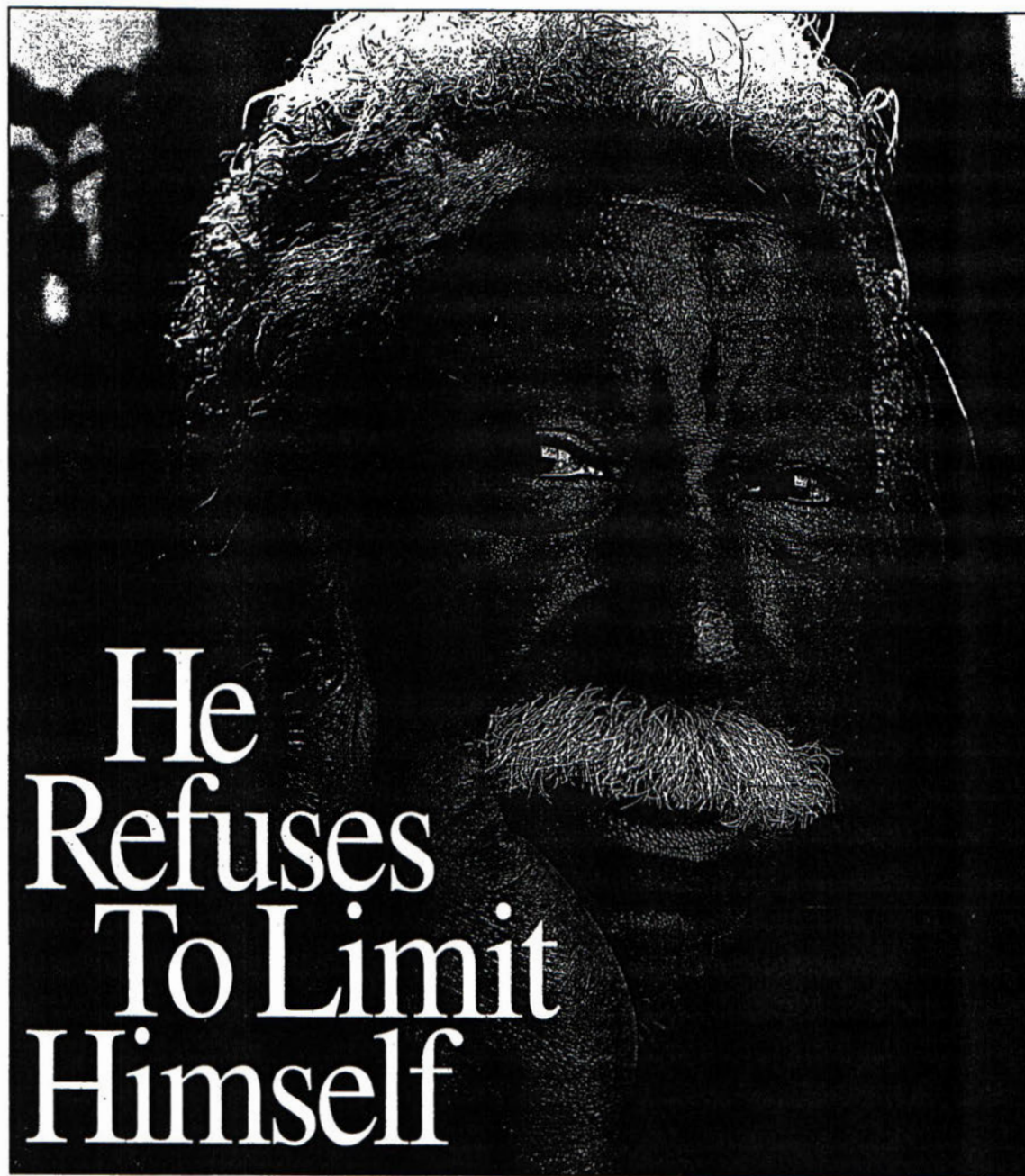
It sounds, perhaps, like too much for one man. Yet Parks—who holds 28 honorary degrees and received the National Medal of Arts from President Reagan in 1988—always has refused to be typecast, particularly as a "black artist."

"My mother used to say, 'You can do anything if you want it badly enough... Nothing limits you unless you allow it to,'" he recalled. "I think creativity is in everybody's blood. But you have to develop it: You must listen and read. When I want to write, I read Pablo Neruda, my favorite poet. And Pablo springs a thought in me: I say, 'If Pablo can do it, I can do it.'"

For more than 75 years, Parks has been telling himself he can do it, and he has been doing it—just as his mother told him he could on his family's farm in Kansas, where he was born in November 1912, the youngest of 15 children.

"My mother and father fed us well," said Parks. "Otherwise, we were impoverished. I knew what struggle was through my father. But at home there was nothing but love. Their love, along with religion, helped me when I needed it most: when I faced the burden of being black and when I had nobody."

Outside the farm, Parks encountered a hostile world. He was beaten, called names and told he was inferior. But his mother would not allow him to use racism as an excuse for failure. "She did



He Refuses To Limit Himself

not want me coming home, complaining about being black," he recalled. "Her motto was, 'If a white boy can do it, you can do it too. And you better do it better.'"

Gordon's mother died of a heart attack when he was 14, and the family split apart. Gordon ended up at the home of his sister Peggy in St. Paul, Minn., but he didn't stay long. He quarreled with his brother-in-law and was kicked out on a December day in 1926 when

the temperature was 35 degrees below zero, he recalled. Homeless and penniless, he slept on streetcars and once walked more than 10 miles through a snowstorm to answer an ad for a job. Over the next few years, he found work as a piano player in a brothel, played semi-pro basketball, went on tour with a band, helped clear forests and eventually became a railroad waiter. Meanwhile, he read voraciously and taught

"Young people should never accept a limit on their horizons," says Parks. "In fact, older people shouldn't either. Learn everything there is to know."

B Y W A L L A C E T E R R Y



Half Past Autumn: The Art of Gordon Parks

The Corcoran Gallery of Art, September 1997

"My experience — though I would never wish it upon anyone else — has helped make me whatever I am and still hope to be. . . . I have come to understand that hunger, hatred, and love are the same wherever you find them, and it is that understanding that now helps me escape the past that once imprisoned me."

Gordon Parks, from *A Choice of Weapons*, 1965

Introduction

The Corcoran Gallery of Art is organizing the first retrospective traveling exhibition of the works of the noted American artist Gordon Parks, which synthesizes all aspects of his career. Although Parks is best known as a photojournalist, his works as a filmmaker, novelist, poet, and musician will be included for the first time in this major exhibition. He is an American Renaissance Man who has mastered many media to express his uplifting and influential message of hope in the face of adversity. His art has inspired generations through its eloquent and personal power.

Born in 1912, Gordon Parks has overcome adversity, including poverty and racism, to rise to the top of his profession. He has searched for, and found, both beauty and compassion in a variety of places; from the Kansas prairies of his childhood to city streets throughout the Americas and Europe; and from the intricate details of the natural world to the dignified faces of dust bowl survivors. Parks has made his own experiences — his life and feelings about those around him — central to his work. His photographs, films, and novels are often autobiographical and draw from a lifetime of remarkable experiences to detail how one can surmount numerous problems to create and savor a world of expressive beauty and art. By exposing his own problems and those of others, his work has led to a better understanding of how differences can be overcome. His art has questioned the boundaries of both color and expression, and in doing so it has proven to be a timeless and ubiquitous stimulus to generations of Americans.

The goal of this project is to organize a traveling exhibition of about 160 photographs, accompanied by films, music, paintings, as well as manuscripts of poems, novels, and other writing by Parks. In addition, the Corcoran will organize related community education programs that will not only investigate and interpret Parks' work for a broad, international audience, but will also embody the spirit of his art to show his creative and personal search as an influential and universal model. The Corcoran, in collaboration with both local and national organizations, will develop a variety of public programs to embrace diverse, community-based audiences. These programs, developed to accompany the exhibition in Washington, will serve as models for outreach to communities in other cities to which the exhibition will travel.

Gordon Parks: Biography

Born in Fort Scott, Kansas on November 30, 1912, the youngest of fifteen children, Gordon Parks left home at the age of fifteen, following the death of his mother. For the next twelve years he lived primarily in Minneapolis, working as a piano player, bus boy, dining car waiter, Civilian Conservation Corpsman, and professional basketball player. In the late 1930s he moved to Chicago and took up photography, first as an amateur. By 1942 he was awarded the first Julius Rosenwald Fellowship in photography and was invited to work with Roy Stryker on the Farm Security Administration (FSA) photographic survey project in Washington, D.C. Here he made his first professional photographs.

During World War II, Parks became an Office of War Information correspondent and later joined Stryker, again as a photographer, working on the Standard Oil Company of New Jersey documentation projects. Following the war he wrote his first two books about photography, and began doing fashion photography for the magazines *Vogue* and *Glamour*.

In 1949, Parks joined the staff of *Life* magazine, where he worked as one of their primary photojournalists through 1969. At *Life* he completed over 300 assignments on a wide variety of subjects, from Ingrid Bergman to Muhammad Ali and from New England farmers to the children of Brazilian slums. In the early 1960s he documented the Black Muslim movement in New York and in the late sixties he made portraits of numerous African American leaders, later published in his book *Born Black*. Parks was a founder of *Essence* magazine and became its editorial director from 1970 to 1973.

Parks is an accomplished writer and, in addition to his photographic work, he has written articles and essays for many major publications. He is the author of a number of books, including the autobiographical novel *The Learning Tree*, 1963 (still in print in

nine languages) and three other autobiographical books: *A Choice of Weapons*, 1966, *To Smile in Autumn*, 1979, and *Voices in the Mirror*, 1990. In addition, Parks has published four volumes of poetry and photographs: *Gordon Parks: a Poet and his Camera*, *Gordon Parks: Whispers of Intimate Things*, *Gordon Parks: In Love*, and *Moments Without Proper Names*. Recently he has completed *Arias of Silence*, combining his photography, painting, and poetry, as well as the novel, *Shannon*.

Gordon Parks is also a filmmaker, musician, and composer. His first film was *Flavio*, 1961, a documentary about a young boy from a Brazilian slum made famous by Parks in *Life* and, later, in a book of photographs. Another *Life* story, *Diary of a Harlem Family*, became the basis for a second documentary completed in 1968, for which he received an Emmy award. Parks' first Hollywood feature was adapted in 1969 from *The Learning Tree*, which he wrote, produced, directed, and scored. Breaking the barrier to African American directors in Hollywood, he then directed *Shaft*, 1971, *Shaft's Big Score*, 1972 (for which he also wrote a classic musical score), *Super Cops*, 1974, and *Leadbelly*, 1976. In 1984, Parks made *The Odyssey of Solomon Northrup* from the diary of a nineteenth-century freeman who had been illegally enslaved. It aired on the Public Broadcasting Service's *American Playhouse* series. Other recent films include the autobiographical *Moments Without Proper Names*, which combines photographs, poetry, prose, and music, and *Martin*, a film of Parks' own classical ballet honoring Dr. Martin Luther King, Jr. In addition to composing music for many of his films, Parks' compositions of classical music — including a symphony, sonatas, concertos, and ballet — as well as blues and popular music, have been performed internationally.

Gordon Parks has received many awards for his photography, writing, and filmmaking, as well as a number of humanitarian citations. Among his most valued are the Spingarn Medal, the NAACP's highest award, the Governor's Medal of Merit, honoring the 1985 Kansan of the Year, and the National Medal of the Arts, awarded in 1988. He is the recipient of twenty eight honorary degrees in fine arts, literature, and letters from colleges and universities across the United States.

Now at the age of 83, Parks continues to work on new projects, including photographic assignments, another book of poetry and color photographs, two novels, and new musical compositions. It is possible that he will compose a new musical work to be performed specifically for this exhibition.

The Exhibition

Half Past Autumn: The Art of Gordon Parks places Parks' photography within the context of all his work, and reveals its importance to the social and cultural history of the twentieth century. It will tell the story of his life through his work — photographs, films, music, poetry, and writing — allowing visitors to see through his eyes, hear through his ears, and come to an understanding of the world in which he worked. The exhibition will open at the Corcoran in Washington, D.C. in September 1997. The museum will also organize a film series, concerts, poetry readings, symposia, and other educational, community-based programs. This will be accomplished through collaborations with other institutions, such as the Library of Congress, the American Film Institute, the John F. Kennedy Center for the Performing Arts, the Smithsonian Institution, and the Duke Ellington School for the Arts. The exhibition will then travel internationally for several years and specific programming, such as films, music, and poetry, will also be available to travel.

This is the first retrospective exhibition of Parks' art to synthesize all aspects of his career. It will be co-curated by Philip Brookman, curator of photography and media arts at the Corcoran, and Deborah Willis, collections coordinator at the National African American Museum Project, Smithsonian Institution. Brookman will serve as project director. They are working directly with the artist, researching and organizing the exhibition, and developing and writing an exhibition catalogue representative of Parks' life and art. With over twenty years of museum experience, Brookman came to the Corcoran in 1993 from the National Gallery of Art, where he was co-curator of *Robert Frank: Moving Out*. He has recently organized numerous exhibitions that have traveled internationally, including *Raised by Wolves: Photographs and Documents of Runaways by Jim Goldberg* and *Hospice: A Photographic Inquiry*. He is the author of many books and essays about issues of modern photography, media, and visual arts. Deborah Willis came to the Smithsonian from the Schomburg Center for Research in Black Culture, where she was exhibition coordinator and curator of photographs and prints. She is the author of numerous books and essays, including the award-winning *Picturing Us: African American Identity in Photography*.

Since much of Parks' work is autobiographical, the project will draw from the artist's own archives, as well as from numerous museums, universities, libraries, and other photography, film, and literary collections. Parks has recently donated his papers and photographic archives to the Library of Congress, including all of his negatives, proof sheets, proof prints, many exhibition quality prints, as well as family photographs, literary manuscripts, films, and recorded music. The Library of Congress also owns all

of the photographs Parks created for the Farm Security Administration documentation projects and the Office of War Information archives. The Corcoran will be granted complete access to all of this material for research and exhibition purposes.

The exhibition will include about 160 photographs, dating from the late 1930s through the present, as well as elements of his other work. Clips from films will be presented in the galleries, along with original manuscripts, archival materials, photographic proof sheets, notes from journalistic assignments, and a videotaped interview with the artist. Excerpts from Parks' writing will be silkscreened on panels, along with a brief curatorial statement introducing the artist and his work. A reading area, with informational materials about Parks and his work, will be incorporated into the exhibition space.

The exhibition catalogue will be published and distributed by Bulfinch Press, Little, Brown and Co., Boston. The Corcoran curators will collaborate directly with the artist and with other scholars such as Richard Powell, professor of art history at Duke University, to research and write this book. Parks himself is writing the principal text for the book. It includes an extensive introduction and epilogue written by Parks, and excerpts from his previous books and poems. Brookman will also write an essay about the concept of autobiography in Parks' work. The catalogue will include about 150 duotone and 4-color reproductions of photographs, historical materials, family photographs, and other relevant documents, such as film stills and images documenting Parks' literary and musical career. An extensive chronology of the artist's life, bibliography, a checklist of the exhibition, a director's forward, acknowledgments, and funding credits will complete the publication.

Education and Community Outreach Programs

One of the most important components of *Half Past Autumn: The Art of Gordon Parks* is an extensive educational outreach program organized by the Corcoran. Educational projects include a free, interpretive brochure about the exhibition for the general public, an educators' resource guide, tours of the exhibition, community outreach programs, school programs, educators' workshops, a symposium, lectures, films, concerts, and poetry readings. The Corcoran will create an integrated educational plan for the exhibition, providing examples of how educators across the country can teach from the exhibition across the traditional curricula of visual arts, photography, music, language arts, and social studies.

The initial program, developed and implemented for the exhibition in Washington, D.C., will be a pilot project, adaptable by each museum participating in the tour. The goals and objectives of the program are:

- to introduce primary museum audiences to the art of Gordon Parks;
- to assist audience members in the interpretation of Parks' work;
- to consider the significance of Parks' own life and work in the context of American history, and to consider how and why he could overcome adversity to become one of the most successful and influential American artists;
- to encourage audiences to form individual perspectives on the issues encompassed by the exhibition, and to share them with others through participation in community dialogues and museum sponsored programs.

This education and community outreach program will be developed by the Corcoran's education department, led by curator of education Susan Badder, working with exhibition curators and the artist. To assist the public in interpreting the works of art, educational materials for exhibition visitors and resources for use in schools will be published. The Corcoran will design an instructional plan for these programs and materials to be used in conjunction with the exhibit as it travels throughout the country. An educational workshop for staff from participating museums will be convened prior to the opening of the exhibition at the Corcoran to introduce this instructional plan.

To make the interpretive components of the exhibition most useful, partnerships should be created between museums hosting the exhibition and schools, libraries, community centers, and other organizations, emulating such initial collaborations in Washington, D.C. These partnerships will focus on generating local support for the project from area community groups, universities, schools, and the local media. In this way, museums will have the opportunity to develop new audiences for their programs. The Corcoran will initiate this process by convening focus groups to assist with conceptualization of the programs and the development of the educational content and targeted audiences for them.

- **Brochure**

An educational brochure will be produced for the exhibition and available to museum visitors at no cost. This publication will outline the basic premises of the exhibition, give biographical information about the artist, and discuss the social and cultural history that influenced him. It will also discuss the impact of Parks' work on contemporary culture. It will include illustrations of works in the exhibition and a schedule of related public programs. The brochure, written by the exhibition curators in

collaboration with the Corcoran's education department, will be distributed to all participating museums.

- **Tours of the exhibition**

The Corcoran will offer guided tours of *Half Past Autumn* for museum visitors and scheduled groups, conducted by specially trained docents. In addition to the museum's regular volunteer docents, community volunteers will be recruited to lead tours and public discussions. The interchange between docents with different experiences will create new and productive conversations and a varied awareness of exhibition content. A tour plan will be offered to all museums participating in the tour.

- **Community outreach programs**

A major community outreach effort will be undertaken in Washington, D.C. for this project. An information packet about the exhibition will be produced for distribution in the following: elementary, middle, and high schools; universities and community colleges; neighborhood associations; churches and synagogues; and retirement homes. These materials will address the content and purposes of the exhibition and related programs. A set of slides of images from the exhibition, copies of brochures, excerpts from catalogue texts, bibliographies, and a biography on the artist will be included. Organizations will be invited to visit the museum for tours of the exhibition, or to schedule outreach programs at their sites. Orientation meetings for representatives from community organizations, led by the museum's education department, will be scheduled. These meetings will prepare community organizations and tour coordinators to help interpret the exhibition for the public. Finally, organizations will be invited to visit the museum for tours of the exhibition, or to schedule outreach docents to visit community centers or schools for special discussions or orientation sessions.

To encourage greater participation and appreciation of the exhibition for teens from the Washington, D.C. region, the Corcoran will organize a series of community-based photography workshops that will culminate in visits to the exhibition and a formal discussion with Gordon Parks himself. The Corcoran School of Art photography faculty and students will work with young people identified through the ongoing Corcoran Gallery of Art and Corcoran School of Art outreach programs, For High School Only and Visual Arts Community Outreach Program (VACOP).

In addition, the Corcoran plans to focus one of its purposed Family Day programs on the works of Gordon Parks. This free day of education and entertainment generally draws two to four thousand people into the galleries for a wide range of activities and events, designed to make the exhibition's content both meaningful and accessible to

general audiences. Similar community outreach activities may be implemented by all museums participating in the tour.

- **School programs**

The Corcoran will create a number of unique opportunities for educators. Special materials, orientation programs, and tours will be prepared for students at various grade levels. A curriculum-related guide, designed for classroom use by middle and high-school audiences, will be complemented by suggestions for family/home discussions. Student guides to the exhibition will be produced and distributed free of charge. These will contain information and "assignments" relevant to students visiting the exhibition. For example, junior high school students might be asked to read and write autobiographical poetry in preparation for a tour of the exhibition. Following student visits to the exhibition, group discussions and writing exercises might be assigned, making it possible for students to address their own feelings and experiences related to the exhibition and its complex, interdisciplinary subject matter. Also under consideration is the creation of an on-line forum conducted through school-based Internet connections to allow students to share these experiences nationwide. Because this project is interdisciplinary and addresses issues related to art, language arts, humanities, and social studies, the museum will direct these programs to a variety of departments within schools. Teacher training sessions to introduce the project resources, such as curriculum packets and the exhibition catalogue, will be conducted by the museum's education department. Bibliographies, slides, video programs, and documentary films about Parks will be offered free of charge to teachers for long-term classroom use.

- **Symposium, lectures, films**

A public symposium will be organized to coincide with the exhibition. This event will invite national and regional experts on Gordon Parks, along with the artist himself, to discuss the principal issues raised by the exhibition. Particular emphasis will be placed on inviting docents, teachers, and those community representatives participating in the outreach and school programs to the symposium. The exhibition curators will lecture or lead public discussions about the photographic and aesthetic issues raised by Parks' work.

The Corcoran will also organize a substantial film program featuring all of Parks' films. This film program will also tour with the exhibition to all participating venues. Videocassettes of relevant programs may be available to loan for off-site screenings in schools, community centers, and community cable television networks. In Washington, the film program will be hosted by the Library of Congress.

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Gibbons
COS

THE WHITE HOUSE
WASHINGTON
May 5, 1997

He said OK

RECOMMENDED TELEPHONE CALL

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:

May 15, 1997 (after 6:00 p.m. EDT)
May 16, 1997 (12:00 p.m. - 3:00 p.m. EDT)
May 21, 1997 (12:00 p.m. - 8:00 p.m. EDT)

RECOMMENDED BY:

John H. Gibbons *JHG*

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 or Yolanda Comedy, 6-6005

DATE OF SUBMISSION:

May 5, 1997

ACTION:

THE WHITE HOUSE
WASHINGTON

June 7, 1997

'97 JUN 7 PM12:09

RECOMMENDED TELEPHONE CALL

TO: Senator William Roth(R-DE)

DATE: Before Monday, June 9, 1997

RECOMMENDED BY: John Hilley *John Hilley*

PURPOSE: To return a call to Senator Roth on NATO Enlargement.

BACKGROUND: Senator Roth called you on Friday, June 7, to discuss NATO Enlargement. As you know, Sen. Roth is chairman of the Senate NATO Observer Group (SNOG). We have been working with him very closely over the past weeks on NATO enlargement. Yesterday at a meeting the SNOG had with Ambassador Hunter, Sen. Roth indicated that in a conversation he had with you, you said you would meet with members of the SNOG *before* a decision is made on the U.S. position as to how many members should be admitted to NATO.

We have already made clear our preference for a "small" group, although we have not specifically named countries or even said precisely how many countries would constitute a "small group". Because the process of discussion is moving forward quickly at NATO and we want to maximize our influence on the outcome, the Principals Committee will meet on Tuesday to consider whether to recommend that you decide in the next few days which specific countries to support for membership.

If it is not possible to arrange a meeting with the SNOG before you reach a decision, this phone call could serve as a sounding board for the Senator's views on your decision as to how many new members should be admitted to NATO.

You should also know we will be following up with the Hill once you have made a decision on how many members to admit.

*Both sides
to summit
of 13/17
discussing for
discussion*

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COS*

*Call made
and legislative
Affairs informed*

FYI: You have invited Sen. Roth and the full Finance Committee and Senator Daschle and Senator Lott to meet with you next week to discuss the tax bill.

TALKING POINTS: See attached.

CONTACT PERSON AND

TELEPHONE NUMBER(S): Senator Roth (H) 302-658-7684
Lindy Paull (staff) (H) 703-765-6359

DATE OF SUBMISSION: June 7, 1997

ACTION:

Talking Points for Senator Roth

- I want to discuss preparations for the NATO Summit with you. I am committed to consulting closely with you as we finalize our thinking and prepare for Madrid.
- During the past few weeks, I have turned my attention to the critical question of whom to support for inclusion in the first group invited to begin accession talks.
- Secretary Albright had a preliminary exchange of views with NATO colleagues at Sinatra NAC ministerial. I have discussed this with Blair, Chirac, and Kohl.
- Five serious candidates have emerged in Alliance deliberations: Poland, Czech Republic, Hungary, Romania and Slovenia.
- We have given careful consideration to each candidate and to the merits of going with a smaller or larger group.
- Although a case can be made for each, our thinking is rapidly crystallizing around support of a small group.
- We believe the first group should be restricted to the strongest candidates. This will ensure that we maintain the credibility and effectiveness of the Alliance.
- Supporting a small group is also consistent with the long-standing NATO position that enlargement is a steady, deliberate process.
- A small group would also be easier to absorb militarily. This is the view of our military leadership, which I share.
- It will also lend credibility to our open door approach in insisting that the first shall not be the last.
- A strong open door pledge will also reassure other aspiring members, such as the Baltics, that they are not consigned to the "grey zone." We need to keep our options open for the future.
- We are working toward a decision. I intend to inform NATO Secretary General Solana of our decision on "who" in the near future and begin intensive discussions with the allies.
- I wanted to touch base with you as our thinking advances to let you know where we are heading.

- I understand arrangements have been made to keep you and the Observer Group better informed of developments within Alliance as we approach Sintra. I look forward to your participation at Madrid.
- I am counting on you and your colleagues for continued bipartisan support.

THE PRESIDENT HAS BEEN
6-9-97

THE WHITE HOUSE
WASHINGTON

June 2, 1997

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Worth 100's
PK

✓
MR. PRESIDENT:

In the attached informational memo, Sec. Shalala discusses state use of TANF funds pursuant to last year's welfare reform legislation.

Because of falling caseloads and the way in which funding levels were set, many states are getting more federal funds in FY 97 under the TANF block grant than they received in FY 96 under the predecessor programs, such as AFDC. Sec. Shalala's memo is concerned with how states are using or planning to use these "excess" funds in order to best assure the success of welfare reform.

DPC recommends that you give a major speech sometime this summer, perhaps to a state legislature, discussing the kinds of state policies that would advance or retard real welfare reform.

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Todd Stern
Todd Stern



THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

MAY 16 1997

97 MAY 20 4:51:06

MEMORANDUM FOR THE PRESIDENT

SUBJECT: State Use of "Excess" TANF Funds

Recent news stories have asserted that states have "excess" or "surplus" funds available to them under the new Temporary Assistance for Needy Families (TANF) block grant created by the welfare reform legislation. In fact, many states are receiving more federal funds in Fiscal Year (FY) 1997 under TANF than they received in the previous year under the predecessor programs (Aid to Families with Dependent Children (AFDC), Emergency Assistance (EA), and the Job Opportunities and Basic Skills (JOBS) Training program), largely due to setting the funding at historically high levels followed by dramatic caseload decreases. However, these extra funds are distributed very unevenly across states and may be only a first- and possibly second-year phenomenon. Given our commitment to moving welfare families to self-sufficiency, we must take advantage of every opportunity to urge Congress and the states to view these resources not as a "surplus," but rather as essential for making critical early investments to enable welfare families to transition to work.

We all must use every available occasion to strongly encourage states to invest these federal resources (along with state Maintenance of Effort resources) to support the welfare-to-work goals of the legislation. Based on what we know so far about the costs of reaching and serving the most disadvantaged welfare families, we need to ensure that states and cities receive the additional welfare-to-work resources provided in the new budget agreement, and states need to invest wisely to prepare all welfare families for self-sufficiency within the time limits in the statute.

The purpose of this memorandum is to:

- explain what we know now about the level of resources available to states for investment in welfare reform under TANF;
- describe what we know at this interim point in state legislative sessions about the choices that state legislatures are currently making about the use of these resources, and provide some examples both of promising state choices that seem likely to attain the goals of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), and of less promising choices that could undercut those goals;
- argue that achieving the goals of welfare reform, especially in high unemployment areas like inner cities and rural areas, requires both the additional welfare-to-work resources and tools provided in the new budget agreement and that states invest wisely the federal and state resources available to them; and

- highlight what you can emphasize in your speeches and meetings about this issue.

Resources Available to States

Since January 1993, the number of welfare recipients has dropped in nearly all states. However, the reductions have not been uniform, and the financial impact varies across states. Table 1 shows that all but four states have a smaller number of welfare recipients now than they did in January 1993, with 36 states experiencing at least 20 percent reductions. The welfare reform law provides fixed federal funding at historically high levels for child care, work programs, and other assistance; for FY 1997 TANF funding exceeds FY 1996 funding for AFDC and related programs by about 10 percent, or \$1.5 billion. While the great majority of states are receiving more money under TANF than their combined federal funding for AFDC, EA, and JOBS in FY 1996, as Table 2 shows, 24 states are receiving only a modest increase, and seven states are actually receiving less federal funding.

States experiencing sizeable reductions in welfare caseloads and funding increases under TANF that have already made substantial investments in work and child care are in an especially good position to continue the historic transformation from welfare programs to job programs. On the other hand, states that have experienced smaller caseload reductions, have low benefit levels, or have unmet needs for supportive services face a tremendous challenge.

Child care is one of the most important services that families need in order to work. As TANF's work requirements (both participation rates and hours) increase, states must make more child care services available. Investments are also needed to provide child care for the working poor in order to enable those parents to sustain their employment and to ensure continuity of care for the children whose parents are making the transition from welfare to work. The PRWORA provides separate and enhanced funding to states for child care that allows them to pay for child care in any of a variety of ways: out of the Child Care Development Fund (CCDF), by transferring (up to 30 percent) TANF funds into the CCDF, or by paying for child care services directly out of TANF. States can also use their own state money on child care. Despite the child care funding increases, resources still may not be sufficient to meet the needs of both transitioning and low-income working parents. We will advise you as we get closer to the next budget cycle about the unmet child care needs and our deep concerns about quality standards.

There also are other important areas in which states must maintain or enhance their investment to help recipients move from welfare to work. One critical area is job creation and partnerships with the private sector, including subsidized workfare positions. In addition, it is generally accepted that after the most employable recipients have made the transition from welfare to work, the remaining adult participants will have more barriers to self-sufficiency and will require more intensive services. These supportive services run the gamut from expanded job readiness and job search programs, public sector jobs, literacy programs, and intensive case management services, to drug testing and treatment, services to address domestic violence, accommodating populations with special needs such as mental and physical disabilities, and rural transportation.

States are required to maintain only 80 percent (or 75 percent if the state meets its mandatory work participation requirements) of historic expenditures. Because the law permits states to disinvest up to 25 percent of their prior expenditures on needy families with children, there is some risk that some or all of these "surplus" funds will simply be used to substitute for state dollars, thereby effectively reverting to state treasuries. The initial choices that states make in spending their TANF funds and in providing child care and other supportive services to families are critical to their success in moving families from welfare to work and to the overall success of welfare reform.

What We Know

It is still too early for the Department to have a full picture of how states will decide to use these "surplus" funds. Many states have not yet made the funding and program design decisions that will shape their TANF programs, but from what we can tell now most changes are incremental. Many states appear to be basing their TANF programs on their welfare reform waiver demonstrations or the AFDC program, without making significant program design changes at this point. Therefore, from a budget perspective, most states are assuming that they will have to spend a certain amount of TANF money on cash assistance and existing job training programs. It should be noted that few state legislatures have completed their sessions for this year, so the information we do have on allocation of funds comes from several different stages in the decision-making process and may represent only preliminary steps in that process. Reports from the Department's Regional Offices and other sources have given us some information about what some states are proposing to do with "excess" TANF funding. Enclosure A includes a fuller discussion of the early information we have on state decisions and the critical investments they are making to spend "excess" TANF funds.

Welfare-to-Work Programs and Child Care: It is widely acknowledged that helping recipients move from welfare to work often requires up-front investments in training and supportive services. (Enclosure B provides some information on the costs associated with operating work programs and providing child care services. It should also be noted that the Congressional Budget Office (CBO) estimated that the state costs of meeting the PRWORA work requirements were underfunded in the TANF block grant. If the CBO were to re-estimate the costs of the work program, it is likely that the shortfall would be considerably smaller, given the larger-than-expected caseload decreases.) Many states are assuming that, as time goes on, the remaining adult participants will have more barriers to self-sufficiency than those who have already made the transition from welfare to work, and that such recipients will require more intensive services. As a result, states are also considering spending more money on drug testing and treatment, intensive case management services, rural transportation, job preparation, job training, and public sector jobs. Many states are also considering putting more money into child care services, although it is not yet clear if this represents simply the increased CCDF allocations states received under the PRWORA, plans to spend state "maintenance of effort" (MOE) dollars on

child care, or shifts of TANF welfare funds for additional child care funding. We all need to encourage states to use any "excess" federal TANF funds to supplement rather than supplant state funding needed to access the CCDF.

Other TANF Purposes: States are also looking at the broad flexibility they have under the TANF block grant and are considering other types of programs, including juvenile justice and other services formerly funded under the Emergency Assistance program, housing and nutrition programs, teen pregnancy prevention initiatives, energy assistance, family planning, fatherhood conferences, and transfers to the Title XX social services block grant to offset previous federal reductions.

Rainy Day Funds: Notwithstanding the availability of the contingency fund, state allocations are fixed regardless of the state of the economy or caseload trends. Therefore, a number of states are considering building a reserve in the event of a recession, since there is no requirement that states spend their full federal allocations in the fiscal year in which they become available.

Services to Immigrants: Under the welfare law, qualified aliens are banned from receiving Food Stamps and SSI benefits, and qualified aliens who arrived in the United States after August 22, 1996 are banned from receiving assistance from federal TANF funds for a period of five years.

A number of states have indicated that they expect to continue benefits for such aliens nonetheless, using state funds. States also have the option of continuing TANF benefits for immigrants who arrived before the bill's enactment. Only Alabama, South Carolina and Wyoming have indicated that they will not be continuing benefits for these aliens.

Choices that Undercut the Goals of PRWORA: Not all states, however, intend to reinvest their savings in welfare-related services or assistance for immigrants. In addition to authorizing federal TANF funding, the welfare reform law requires states to maintain a certain level of historic effort (MOE) in order to access the TANF block grant. Both TANF and MOE funds must be spent to provide assistance to needy families with children and to promote job preparation and work, among other purposes. Some states are treating the difference between the MOE requirement and the amount they would have spent in the absence of welfare reform as a general surplus, to be used for any purpose they desire. Proposed uses include dividing the funds between the state and local governments for unrestricted spending, allocating them to the state's general fund, and replacing state spending on child protection services and the elderly. The state funds thus freed can be used for any purpose including underwriting a tax cut, which has already been proposed in several states.

Do States Need More Funding?

In contrast to the increased child care funds and "excess" TANF funds many states currently have available, other provisions of PRWORA cut funding and increased demands on states. The new law significantly reduced federal funding for other programs serving low-income populations, in particular legal immigrants. It established increasingly tough work requirements within a

framework of time-limited federal assistance for needy families with children. The requirement that families to achieve self-sufficiency within five years or less presents a tremendous challenge to states and demands a commitment to making critical investments as early as possible.

Moving families from welfare to work requires increased state investments in critical services such as child care, supports and subsidies for work, services to address barriers like substance abuse and domestic violence, literacy programs, expanded job readiness and job search programs and expanded case management. Some states have an especially great need for supportive services, have experienced smaller reductions in caseloads, or have other special circumstances (like inner city or rural areas of high unemployment and poverty or large numbers of noncitizen residents) which might necessitate costly investments in economic development or transportation. In addition, since the 80 (or 75) percent MOE requirement is based on FY 1994 expenditures, some states that have experienced significant caseload reductions since 1994 potentially could be required to commit larger sums of state funds under TANF than they would have spent under the predecessor programs. The wide variation in benefit levels across states (as illustrated in Table 3) highlights the difficulties some states will face. Clearly the states with higher benefit levels and a history of greater state effort on low-income assistance have more capacity to invest in additional services to help families move from welfare to work and sustain their employment.

States must begin now to make front-end investments if they are to have in place the programs they will need to move large numbers of single parents from welfare to work in the later years, when participation and hours of work requirements are higher and populations begin reaching state time limits. States must also obtain unprecedented commitment from business, non-profit organizations, and religious institutions. The so-called "excess" TANF funds are not a windfall, may be only temporary, and are not available to all states.

Getting Out the Message

The new budget agreement will enable us to ensure that needed funding is available to states and communities to achieve the goals of welfare reform, especially in areas with high unemployment. Three initiatives included in the new budget agreement have been and continue to be particularly important: enabling welfare families to transition to work, restoring unacceptable cuts in benefits to immigrants, and providing support for low-income working families to sustain their employment. As a result of your efforts, states and communities will have \$2 billion over the next five years to spend on wage subsidies and job creation and retention activities to help the hardest-to-employ long-term welfare recipients find and keep jobs. An additional \$500 million is available in the form of tax incentives to employers to create job opportunities for long-term welfare recipients and able-bodied childless adult food stamp recipients who face work and time limit requirements. Legislation to fulfill your goal of moving people from welfare to work must include the grants and tax incentives necessary to support states, cities, and the private sector in creating job opportunities for the hardest to employ welfare recipients.

The budget agreement will also protect the most vulnerable populations of legal immigrants -- children and individuals with disabilities -- from the restrictions placed on their receipt of Medicaid and SSI benefits. It helps to protect a minimal safety net for the most needy legal immigrants and supports our immigrant traditions and protects public health.

We are already taking the lead in reducing the number of children without health insurance, and this is one of the most important things we are doing. Twenty-three states currently have expanded transitional Medicaid benefits through waivers, some by extending the period of eligibility beyond 12 months and others by expanding who is eligible. Four additional waiver requests are under review, including two new states. In addition, the new budget agreement expands health coverage for millions of uninsured children, including a new grant program that provides additional dollars to supplement state efforts to cover uninsured children in working families.



As I indicated earlier in this memorandum, it is a little too early to know how short the states are on child care money. We are increasingly concerned about quality standards for child care. The recent White House Conference on the Brain highlighted the need for substantial quality investments and high standards. The White House conference planned for later this year will focus on quality child care.



We need your help to encourage states to make the right decisions for their needy citizens and taxpaying citizens alike. Your achievement of the recent historic budget agreement presents a particularly opportune time to take the lead and through your speeches and meetings with public and private sector leaders to encourage all states to make the serious investments that are needed to help move families from welfare to work and sustain their employment. These investments will require not only effective use of federal funding (including the new funds provided through the budget agreement) but also a commitment to continued state funding. The needs are great, as are our opportunities to make a difference in the lives of the nation's most vulnerable populations -- welfare families, children without health insurance, and legal immigrants.

I am sending a copy of this memorandum to Bruce Reed.



Donna E. Shalala

Enclosures

TABLE 1.
CHANGE IN WELFARE CASELOADS

Total AFDC/TANF recipients by State

State	Jan.93	Jan.94	Jan.95	Jan.97	Percent change '93-'97
Wisconsin	241,098	230,621	214,404	123,758	-49
Wyoming	18,271	16,740	15,434	10,117	-45
Oregon	117,656	116,390	107,610	66,919	-43
West Virginia	119,916	115,376	107,668	68,600	-43
Indiana	209,882	218,061	197,225	121,224	-42
Oklahoma	146,454	133,152	127,336	87,144	-40
Tennessee	320,709	302,608	281,982	194,860	-39
Mississippi	174,093	161,724	146,319	108,365	-38
Massachusetts	332,044	311,732	286,175	207,932	-37
North Dakota	18,774	16,785	14,920	11,904	-37
South Carolina	151,026	143,883	133,567	97,146	-36
Alabama	141,746	135,096	121,837	91,569	-35
Kansas	87,525	87,433	81,504	57,528	-34
Utah	53,172	50,657	47,472	35,442	-33
Michigan	686,356	672,760	612,224	460,793	-33
Florida	701,842	689,135	657,313	478,329	-32
South Dakota	20,254	19,413	17,652	14,050	-31
Virginia	194,212	194,959	189,493	135,908	-30
Colorado	123,308	118,081	110,742	87,074	-29
Kentucky	227,879	208,710	193,722	161,150	-29
New Hampshire	28,972	30,386	28,671	20,627	-29
Ohio	720,476	691,099	629,719	518,595	-28
New Jersey	349,902	334,780	321,151	256,000	-27
Arkansas	73,982	70,563	65,325	54,751	-26
Maine	67,836	65,006	60,973	51,031	-25
Montana	34,848	35,415	34,313	26,294	-25
Nebraska	48,055	46,034	42,038	36,490	-24
Georgia	402,228	396,736	388,913	305,732	-24
North Carolina	331,633	334,451	317,836	252,564	-24
Maryland	221,338	219,863	227,887	169,723	-23
Iowa	100,943	110,639	103,108	78,076	-23
Arizona	194,119	202,350	195,082	151,526	-22
Louisiana	263,338	252,860	258,180	206,582	-22
Texas	785,271	796,348	765,460	625,376	-20
Pennsylvania	604,701	615,581	611,215	483,625	-20
Missouri	259,039	262,073	259,595	208,132	-20
Vermont	28,961	28,095	27,716	23,515	-19
Nevada	34,943	37,908	41,846	28,817	-18
Minnesota	191,526	189,615	167,949	159,855	-17
Delaware	27,652	29,286	26,314	23,141	-16
Illinois	685,508	709,969	710,032	599,629	-13
Rhode Island	61,116	62,737	62,407	54,588	-11
New York	1,179,522	1,241,639	1,266,350	1,074,100	-9
Washington	286,258	292,608	290,940	263,792	-8
Idaho	21,116	23,342	24,050	19,925	-6
New Mexico	94,836	101,676	105,114	89,814	-5
Connecticut	160,102	164,265	170,719	155,578	-3
California	2,415,121	2,621,383	2,692,202	2,474,689	2
District of Columbia	65,860	72,330	72,330	67,871	3
Alaska	34,951	37,505	37,264	36,189	4
Hawaii	54,511	60,975	65,207	65,312	20
United States 1/	14,114,992	14,275,877	13,918,412	11,359,582	-20

1/ Includes Guam, Puerto Rico, and the Virgin Islands.

Source: U.S. Dept. of Health & Human Services, Administration for Children and Families, Office of Family Assistance, AFDC/TANF Flash Report, January 1997.

TABLE 2.

**COMPARISON OF FEDERAL FUNDING FOR AFDC AND RELATED PROGRAMS
AND FAMILY ASSISTANCE GRANTS UNDER PRWORA**

(In thousands)

State	FY 1996 Grants for AFDC, EA & JOBS 1/	Fy 1997 State Family Assistance Grant 2/	Increase from FY 1996 Level	Percent Increase from FY 1996 Level
Indiana	\$133,119	\$206,799	\$73,681	55.3
Wyoming	14,969	21,781	6,813	45.5
Louisiana	114,252	163,972	49,720	43.5
Tennessee	137,445	191,524	54,079	39.3
Ohio	543,666	727,968	184,303	33.9
Dist. of Columbia	70,813	92,610	21,796	30.8
Virginia	121,386	158,285	36,899	30.4
Massachusetts	353,060	459,371	106,311	30.1
West Virginia	87,683	110,176	22,493	25.7
Oklahoma	118,234	148,014	29,779	25.2
Connecticut	215,259	266,788	51,529	23.9
Mississippi	70,341	86,768	16,427	23.4
Alabama	\$75,909	\$93,315	17,406	22.9
Michigan	632,232	775,353	143,121	22.6
Minnesota	220,839	267,985	47,146	21.3
Utah	64,695	76,829	12,134	18.8
Oregon	142,045	167,925	25,879	18.2
Texas	419,021	486,257	67,236	16.0
Kentucky	157,238	181,288	24,050	15.3
Wisconsin	276,357	318,188	41,831	15.1
Georgia	288,410	330,742	42,332	14.7
Kansas	89,753	101,931	12,178	13.6
New York	2,160,652	2,442,931	282,279	13.1
Florida	497,539	562,340	64,801	13.0
Montana	40,391	45,534	5,143	12.7
Arizona	197,754	222,420	24,666	12.5
Vermont	42,378	47,353	4,975	11.7
Missouri	195,388	217,052	21,664	11.1
New Hampshire	34,677	38,521	3,844	11.1
Arkansas	51,854	56,733	4,879	9.4
Alaska	58,665	63,609	4,944	8.4
South Dakota	20,242	21,894	1,652	8.2
Maryland	214,292	229,098	14,806	6.9
Nevada	41,357	43,977	2,620	6.3
Rhode Island	89,479	95,022	5,543	6.2
South Carolina	94,401	99,968	5,567	5.9
New Jersey	383,177	404,035	20,857	5.4
Maine	74,786	78,121	3,335	4.5
Nebraska	56,014	58,029	2,015	3.6
California	3,622,756	3,733,818	111,062	3.1
North Dakota	25,660	26,400	740	2.9
Iowa	128,853	131,525	2,672	2.1
Idaho	31,297	31,938	641	2.0
Hawaii	97,908	98,905	997	1.0
Washington	415,384	404,332	-11,053	-2.7
Illinois	601,059	585,057	-16,002	-2.7
North Carolina	312,630	302,240	-10,390	-3.3
New Mexico	132,129	126,103	-6,025	-4.6
Pennsylvania	770,098	719,499	-50,599	-6.6
Delaware	35,190	32,291	-2,899	-8.2
Colorado	158,311	136,057	-22,255	-14.1
State Totals	\$14,931,044	\$16,488,667	\$1,557,623	10.4

1/ Excludes IV-A child care. AFDC benefits include the Federal share of child support collections in order to be comparable to the Family Assistance Grant.

2/ Does not include additional funds authorized under P.L. 104-327.

Source: U.S. Dept. of Health & Human Services, Administration for Children and Families, Office of Financial Management.

TABLE 3.

Maximum AFDC Benefit for a Three-Person Family by State
July, 1996

State	Schedule/Geography	Monthly	Annual
Alaska	Statewide	\$923	\$11,076
Hawaii	Statewide	712	8,544
New York	Suffolk Co.	703	8,436
Guam	Statewide	673	8,076
Connecticut	Region A	636	7,632
Vermont	Chittenden	633	7,596
California	Statewide	596	7,152
New York	New York City	577	6,924
Utah	Statewide	568	6,816
Massachusetts	Statewide	565	6,780
Rhode Island	Statewide	554	6,648
New Hampshire	Statewide	550	6,600
Washington	Statewide	546	6,552
North Carolina	Statewide	544	6,528
Minnesota	Statewide	532	6,384
Wisconsin	Urban	517	6,204
Michigan	Region VI (Washtenaw Co.)	489	5,868
Oregon	Statewide	460	5,520
Michigan	Region IV (Wayne Co.)	459	5,508
Montana	Statewide	438	5,256
North Dakota	Statewide	431	5,172
South Dakota	Statewide	430	5,160
Kansas	Schedule 1	429	5,148
Iowa	Statewide	426	5,112
New Jersey	Statewide	424	5,088
Pennsylvania	Group 1	421	5,052
Maine	Statewide	418	5,016
District of Columbia	Statewide	415	4,980
New Mexico	Statewide	389	4,668
Illinois	Group 1	377	4,524
Maryland	Statewide	373	4,476
Nebraska	Statewide	364	4,368
Wyoming	Urban	360	4,320
Colorado	Statewide	356	4,272
Virginia	Group 3	354	4,248
Nevada	Statewide	348	4,176
Arizona	Statewide	347	4,164
Ohio	Statewide	341	4,092
Delaware	Statewide	338	4,056
Idaho	Statewide	317	3,804
Oklahoma	Statewide	307	3,684
Florida	Statewide	303	3,636
Missouri	Statewide	292	3,504
Indiana	Statewide	288	3,456
Georgia	Statewide	280	3,360
Kentucky	Statewide	262	3,144
West Virginia	Statewide	253	3,036
Virgin Islands	Statewide	240	2,880
Arkansas	Statewide	204	2,448
South Carolina	Statewide	200	2,400
Louisiana	Urban	190	2,280
Texas	Statewide	188	2,256
Tennessee	Statewide	185	2,220
Puerto Rico	Statewide	180	2,160
Alabama	Statewide	164	1,968
Mississippi	Statewide	120	1,440

Source: Congressional Research Service, Aid to Families with Dependent Children (AFDC): Program Benefit Rules, July 1, 1996.

EARLY INFORMATION ON HOW STATES ARE SPENDING "EXCESS" TANF FUNDS

Very Preliminary Indications

Information about how states propose to spend "excess" TANF funds is only preliminary. Most state legislatures are working out their welfare reform plans now, and are at different stages of decision making. Information from newspaper articles, state press releases, as well as early reports from HHS Regional Offices suggest that many states are making investments in child care, work programs, and supportive services while other states are putting money into less "desirable" practices such as supplanting state funds with federal dollars. At this stage, it is hard to get information on state expenditures and categories of spending. It is particularly difficult at this time to determine whether states will be spending federal TANF monies or state maintenance of effort (MOE) monies on an activity, and whether they are spending new monies or merely supplanting state funds with federal dollars. The following material summarizes our early information.

Welfare-to-Work Programs and Child Care

It is widely acknowledged that helping recipients move from welfare to work often requires upfront investments in training and supportive services. Many states are considering putting more money into child care services. Florida, Michigan and Tennessee reportedly are adding \$60 million, \$44 million and \$25 million, respectively, to child care. It is not yet clear if this represents simply the increased CCDF allocations states received under the PRWORA or shifts of TANF welfare funds for additional child care funding. Georgia's budget includes \$3.5 million in federal TANF funds to hire additional staff to coordinate and determine eligibility for child care services. Under the child care provisions of Wisconsin's W-2 program, the state intends to increase annual child care funding from \$48 million in 1996 to \$186.2 million in 1999. The state has requested legislative authority to transfer \$63.637 million from TANF to child care in 1998. They believe that cash outlays originally targeted for assistance can, as a result of caseload decreases, be rebudgeted for child care, provided that their economy stays strong and their caseload trends continue. Among all states, Wisconsin has had the largest percentage drop in welfare caseloads. These state actions to increase child care subsidies may benefit the working poor as well as welfare recipients. For example, the Wisconsin legislature is considering expanding eligibility for child care by raising income eligibility limits from 165 percent of poverty to 200 percent.

In discussions with our Child Care Bureau, state officials have indicated orally that they are transferring TANF dollars to CCDF in order to invest in child care. States appear to be spending their own funds to draw down fully the CCDF funding as well. States report using these monies for welfare families, quality improvements and working poor families. Because of the multiple demands on TANF dollars, it is worrisome when states spend federal TANF funds on child care

in lieu of state funds or without first having drawn down all of the child care funding to which they are entitled under the CCDF, which can be spent only on child care. If the Administration makes a concerted push to have states spend their excess TANF funding on child care, the message has to be that federal funds should supplement, rather than supplant, state funding needed to access the CCDF.

States are also considering spending more money on drug testing and treatment, intensive case management services, rural transportation, job preparation, job training, and public sector jobs. California, Indiana, Maryland and Massachusetts are reported to be considering these possibilities. These states are aware of the possibility that the remaining adult participants will have more barriers to self-sufficiency than those who have already made the transition from welfare to work, and thus that such recipients will require more intensive services. Georgia's budget includes \$8 million in federal TANF funds to purchase job placement services for recipients who have traditionally been hard to place. New York's proposed budget would set aside \$42 million for client work activity assessments, medical examinations, and incentive bonuses for local district performance, \$45 million to expand work training activities, and \$57 million for a variety of targeted initiatives involving work activities.

Other TANF Purposes

States are also looking at the broad flexibility they have under the TANF block grant and are considering other types of programs. California is considering putting \$141 million into juvenile justice services formerly funded under the Emergency Assistance program. Indiana, whose welfare caseloads have dropped more than most other states, plans to use MOE monies to create more positions for child welfare workers and to increase funding for employment and training activities. Plans for the state's TANF funding include rural transportation, energy assistance, family planning, working with non-custodial parents, as well as employment services, child care, and data collection. Connecticut reports planning to put \$24 million of TANF funding into programs such as housing and nutrition. Georgia's budget includes \$3.5 million from the Indigent Care Trust Funds to implement teen pregnancy prevention initiatives in support of welfare reform. Indiana is considering funding energy assistance, family planning, and fatherhood conferences, among other services. .

Rainy Day Funds

Because TANF is a block grant, state allocations will not increase in the event of a recession. Therefore, a number of states are considering building a reserve in case the economy cools down and caseloads increase. While only actual expenditures of state funds can count towards the TANF maintenance of effort requirement, there is no requirement that states spend their full *federal* allocations in the fiscal year in which they become available. Ohio, New York and Vermont are three states that are reportedly considering saving significant portions of their "excess" TANF funds.

Services to Immigrants

Under the welfare law, qualified aliens are banned from receiving Food Stamps and SSI benefits. Those qualified aliens who arrived after August 22, 1996 are banned from receiving assistance from federal TANF funds for a period of five years. A number of states have indicated that they expect to continue benefits for such aliens nonetheless, using state funds. For example, Massachusetts has estimated that it will spend \$26 million on legal immigrants who are not citizens. In states with substantial immigrant populations, most notably California, continuing to provide services to qualified aliens is expected to be a significant financial burden.

Other Purposes

Not all states intend to reinvest their savings in welfare-related services. Some are treating the difference between their MOE requirement¹ and the amount they would have spent under prior law as a general surplus, to be used for any purpose they desire. For example, the Governor of New York has proposed to divide \$416 million between the state and the local governments, to be spent without restrictions. California is considering allocating \$562 million over two years into the state's general fund. Texas' Governor has proposed to use federal TANF funds and part of the state's required maintenance of effort expenditure to replace \$190 million in state spending on child protection services and the elderly. The state funds thus freed can be used for any purpose including underwriting the Governor's proposed tax cut.

1. Each state's maintenance of effort (MOE) level is set at 75 percent of the state's FY 1994 spending for AFDC, EA, JOBS and IV-A child care (80 percent if the state fails to meet TANF work participation rates).

INFORMATION ABOUT COSTS OF INVESTING IN WELFARE REFORM

It is difficult to estimate how much more it will cost states to operate welfare to work programs. Since the mid-1980's, MDRC and Abt Associates have evaluated numerous work-oriented demonstrations with relatively high participation rates, and the per recipient costs reported in their major studies have varied as the table below shows. The gross per person costs to the government range from about \$2,200 (in FY 1997 dollars) under Florida's Project Independence to about \$27,000 under the Supported Work program¹.

Estimated Gross Costs* Per Person for Selected Welfare to Work Programs		
Program	Period of Costs	In 97 Dollars
Supported Work** (<i>many sites</i>)	27 months	\$26,938
Homemaker- Home Health Aide** (<i>many sites</i>)	NA	14,588
Grand Rapids JOBS (<i>Labor Force Attachment</i>)	2 years	4,915
Atlanta JOBS (<i>Labor Force Attachment</i>)	2 years	3,695
Riverside GAIN	2 years	3,299
San Diego SWIM	2 years	2,272
Florida Project Independence	2 years	2,189
Source: MDRC [the Homemaker-Home Health Aide project was evaluated by Abt Associates.]		
* Includes costs of job clubs, case managers, child care, and training. ** These costs include program wages paid to participants, but do not include non-welfare agency costs. Costs shown in this table are for single-parent AFDC recipients averaged across all experimental group members, including those who did and those who did not participate in program activities.		

It should be noted that while each of these programs produced significant increases in employment and declines in welfare outlays, these outcomes do not replicate the work expectations and time limits of the PRWORA. Under the Riverside GAIN program which produced particularly impressive results, only 23 percent of the program participants were working and off AFDC at the end of the project's three-year follow-up period, indicating the challenges faced by these programs.

Some states have an especially great need for supportive services, have experienced smaller reductions in caseloads, or have other special circumstances (like large urban centers, significant areas of rural poverty, Indian reservations, and pockets of high unemployment) which might

The Supported Work Demonstration provided work experience to hard-to-employ target groups including long-term AFDC recipients. To help them achieve self-sufficiency, participants worked in crews in closely supervised jobs with gradually increasing demands.

require that they make greater costlier investments in economic development or transportation. The wide variation in benefit levels across states (as illustrated in Table 3) highlights the difficulties some states will face. Under the AFDC program, the maximum annual benefit for family of three ranged from \$1,440 in Mississippi to \$11,076 in Alaska. Nationally the cost of a part-time child care slot is \$3,160 a year; a full-time, full-year slot costs \$4,406. In 11 states and territories the cost for part-time child care is greater than the welfare benefit.

More than in its predecessor programs, TANF requires that states deal with special needs populations. These include individuals who are substance abusers as well as those who are victims of domestic violence. Over a quarter of the AFDC caseload includes adults with disabilities and, under prior law, these individuals were exempted from the training and work requirements of the JOBS program. States have never addressed preparing recipients with disabilities for work including special case management, remedial services and accommodations.