THE WHITE HOUSE

WASHINGTON

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THE PRESIDENT HAS SEEN
8-4-97

August 1, 1997

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**MEMORANDUM FOR THE PRESIDENT**

**FROM:** **JOHN HILLEY** John Hilley

**SUBJECT:** **WEEKLY LEGISLATIVE REPORT**

**Budget Reconciliation**

1. **Spending Act:** On Wednesday, July 30, the House passed (346--85; 52 Democrats, 32 Republicans and one Independent voting against) H.R. 2015, the Balanced Budget Act of 1997 Conference Report. The Senate passed (85--15; Democratic Senators Ford, Hollings, and Wellstone voting against) this legislation on Thursday, July 31.

2. **Tax Act:** On Thursday, July 31, both the House (389--43; 41 Democrats, one Republican and one Independent voting against) and Senate (92--8; Democratic Senators Bumpers, Byrd, Feingold, Glenn, Hollings, Robb, Sarbanes, and Wellstone voting against) passed H.R. 2014, the Taxpayer Relief Act of 1997 Conference Report.

**House of Representatives**

1. **Defense Appropriations:** On Tuesday, July 29, the House passed (322--105) H.R. 2266, the $248.1 billion Defense Appropriations Act for FY98. While acknowledging that the bill provides requested funding for many Administration priorities, the Secretary of Defense and senior advisers recommend that this legislation be vetoed because of serious concerns about certain provisions, including a provision in the bill that would prohibit funding for U.S. ground operations in Bosnia after a date certain; an increase of $331 million over the Administration's request for B-2 Stealth Bomber production, procurement, and maintenance costs; and a $4.8 billion increase in total discretionary funding over the Administration's request. While considering H.R. 2266, the House:

> a. Rejected (200--222) an amendment offered by Representative Obey (D-WI) to cut $331 million from the bill's funding for the B-2 Stealth Bomber, to the Administration's request.

2. **Legislative Branch Appropriations:** On Monday, July 28, the House passed (214--203) H.R. 2209, the $1.7 billion Legislative Branch Appropriations Act for FY98. This legislation, which provides $143 million less than the Administration's request, funds the House of

Representatives, joint House-Senate operations and a number of congressional support agencies. It contains a controversial provision that would provide $5.9 million to the Joint Committee on Taxation for an increase in full-time staff from 61 to 66. Republicans said the increase is needed to study the effects of the fiscal 1998 budget reconciliation measures and prepare for a major rewrite of the tax code while Democrats said the increase in committee staff would advance partisan GOP goals. H.R. 2209 would provide $47.4 million for cost of living adjustments (COLAs) to various congressional and agency staff but would not increase pay for lawmakers. While considering H.R. 2209, the House:

**The Week Ahead**

The House currently stands in August recess until September 3. When the House reconvenes in September, it is expected that the agenda will mainly consist of the five Appropriations measures which had not been disposed of prior to recess: Foreign Operations, Labor/HHS/Education, Commerce/Justice/State, District Of Columbia, and Treasury/Postal Service. To date, the House has passed eight Appropriations measures: Agriculture, Energy & Water, Interior, Legislative Branch, Military Construction, Defense, Transportation, and VA/HUD.

**Senate**

**1. Transportation Appropriations**: On Wednesday, July 30, the Senate passed (98--1) S. 1048, the $41.9 billion FY98 Transportation Appropriations bill. While the Administration is pleased with many aspects of the bill passed by the Senate, several concerns remain. First, the bill earmarks 25 transit projects for which Full Funding Grant Agreements (FFGAs) have neither been signed nor are expected to be signed. Many of the projects have yet to complete required planning and engineering studies to determine their costs and benefits. Any future funding of these projects will be in addition to the $3.7 billion outstanding federal share of projects with existing FFGAs. Such earmarkings risks creating expectations that may be difficult to meet under a balanced budget. Second, while Administration is pleased with the Senate's decision to fund Amtrak at the President's level of $344 million, the bill does provide Amtrak with general capital funding. The bill assumes that Amtrak will receive $2.3 billion in tax credits from a provision in the tax reconciliation package. However, those funds will not be available until Congress passes Amtrak reform legislation. Attempts to include such legislation in the reconciliation bill failed because Republicans insisted on including offensive labor and liability provisions in the bill.

**2. Commerce, Justice, State and the Judiciary Appropriations**: On Tuesday, July 29, the Senate passed (99--0) S. 1022, the $31.6 billion FY98 Commerce, Justice, State and the Judiciary Appropriations bill. While the measure provides requested funding for many of the Administration's priorities and compromise language on the use of sampling as part of the 2000 Decennial Census, several concerns remain. First, the bill does not include the President's request to fully fund the Legal Services Corporation at $340 million. It instead provides only $300 million. Second, the Administration is opposed to the Senate's decision to include language in the bill which would split the 9th Circuit Court of Appeals into two sections instead of taking up H.R. 908 which require a Commission to study this question.

Finally, the bill's funding level of $32.6 million for the Arms Control and Disarmament Agency would severely undercut the Administration's efforts to reduce the threat of nuclear and other weapons to the security of the American people.

**3. Tuna-Dolphin Safety Bill**: On Thursday, July 30, the Senate passed (99--0) S. 39, the International Dolphin Conservation Program Act. The highly contested issue was resolved by a compromise worked out by Senators John Kerry, John Breaux, John McCain, Olympia Snowe, Barbara Boxer and Joe Biden. The compromise allows all of S. 39, the implementing legislation for the Panama Declaration, to take place immediately except the definition change in the label "dolphin safe." The definition change will occur March 1999 after a preliminary finding by the Secretary of Commerce that encircling dolphins while fishing for tuna does not cause a substantial adverse effect on dolphin populations. The Secretary's finding will be based on the first year population count of dolphins; however, the study on populations and dolphin stress will continue for another two years. The embargo on tuna caught by encircling dolphins with purse seine nets will be immediately lifted. The embargoed tuna is primarily in the Eastern Tropical Pacific where Mexico and Latin American countries have large fleets.

**The Week Ahead**

The Senate will stand in recess during the month of August. The month-long recess is tentatively scheduled to begin on Friday, August 1. When Congress returns in September, Senator Lott has indicated that it is his intention to finish work on FY98 appropriations bills, beginning with debate Tuesday, September 2, on the Labor/HHS bill and votes on that bill starting Wednesday, September 3. The D.C. and Interior Appropriations bills may be taken up later on that week. To date, the Senate has passed ten Appropriations measures: Defense, Foreign Operations, Military Construction, VA/HUD, Agriculture, Energy & Water, Treasury/Postal, Legislative Branch, Transportation, and Commerce/Justice/State.

Other possible September issues include fast track trade negotiating authority, adoption reform, FDA reform, Amtrak reform, product liability reform, ISTEA reauthorization, legislation to prevent religious persecution, the TEAM Act and juvenile justice legislation.

cc: The Vice-President
Erskine Bowles
John Podesta
Sylvia Mathews

Cc: Emanuel
COS
Nash

'97 AUG 2 PM12:05

August 1, 1997

THE PRESIDENT HAS SEEN
8-4-97

**MEMORANDUM TO:** **TO THE CHIEF OF STAFF**

**FROM:** **RAHM EMANUEL** R.E.

**SUBJECT:** **WEEKLY REPORT**

**STRATEGY:** As I have mentioned before, the completion of the Balanced Budget Agreement uniquely positions the President to put his stamp on history and to shape the future of the Democratic Party.

This Fall, we face a number of difficult issues that will not only divide the Democratic Party, but will require extraordinary political management. Any one of the major Fall issues: Fast Track authority, Climate Change, Entitlement Reform, and Education Standards, could consume the entire resources of the administration.

While we begin to tackle the "big" issues, the GOP will initiate its own post-balanced budget agenda. I am convinced that the Speaker will make a lurch to the political center targeting just the type of centrist voters we won in the fall of 1996.

The combination of the Speaker's move to the center, the beginning of the 1998 congressional campaigns, our party's desire to define the 1998 issue agenda, and our entanglement with some very thorny issues ( those mentioned above) will create a cross-current of interests.

Rather than succumb to the pressure and lay out a full domestic agenda prior to the State of the Union, I believe that we should turn the adverse political agenda to our favor. I would acknowledge the very difficult issues we must tackle, that they are politically costly, and that the President will take them head on. In short, I would make a virtue out of the political position we find ourselves in. This is the one time we can re-fashion the President's pragmatist persona to one of leadership i.e. pragmatic leadership.

The Balanced Budget signing statement should begin to establish our case that we as a nation will tackle some very difficult issues in the coming year. In the statement, I believe that the President should acknowledge the complexity of the pending issues, and emphasize the importance of working in a bipartisan fashion to find common ground.

The backlash from some of the potentially contentious issues could be offset by emphasizing the following positions: The education standards debate which Congressman Goodling has initiated, this fall's White House conference on child care, the release of the Tobacco Report, and a hard push for specific education and environmental initiatives in the appropriations process.

agree

None of the above issues would pre-empt the State of the Union, but they would create the impression of a post-budget domestic agenda, offset the political fall-out from the larger issues, and would not concede the political playing field to the Speaker. We must identify the key centrist issues which requires the GOP to defend their right wing flank.

Pursue

As you may remember, the strong health of the economy allows other issues to emerge as priorities for the public. We may want to identify some "family values" issues to hold us over until the State of the Union. One thought is a criminal background on child care providers. This could be part of any Child Care initiative.

**CRIME/DRUGS:** The Treasury Department has been sitting on a report about taggants. The foiled terrorist plot in Brooklyn may heighten the publics interest in the report. The report also may serve other political interest since the NRA and the GOP oppose any regulations. The public overwhelmingly supports the Administration's position.

We have drafted a letter from the President to all 50 Governors which criticizes them for not being more forthcoming with their Sexual Predators list for the national data bank. This August will mark the one-year anniversary of our initiative to build a national sex offender data bank. Only six states have compiled and forwarded such material. A letter from the President would embarrass the Governors into action and highlight an issue we have led on.

agree - cc Bob Nash

**MISCELLANEOUS:** Congressman John Lewis called on behalf of Buddy Darden. He suggested that we think of a high-profile commission for Buddy. The former Congressman is looking for a way to get back into the public arena. A key appointment would serve us well since he was very loyal to the President and would help strengthen the Democratic Party in Georgia.

For what it is worth, I think we need to be very aggressive, but not careless, with the Line Item Veto. A timid approach which utilizes the line item veto only in the 'best' case or for legal reasons will cause us to miss a key defining moment to reform Washington. We do not want to own and be seen as signing onto the Washington special interest game. A strong posture on this issue can only help our overall reform agenda.

**CAMPAIGN FINANCE:** This week we put out a statement from the President on Campaign Finance Reform. Senator Fiengold read the statement on the floor of the Senate and Mike McCurry read it at the top of his briefing on Wednesday. We received decent coverage for the statement.

The meeting with the President and Senators Feingold and McCain went very well. Senator Feingold continues to be supportive of our role in this issue, and of our fall reform agenda. His support is key to our credibility on this issue.

In addition, I called Congressman Shays about the Feingold/ McCain meeting and the Presidential statement. Oddly enough, he has also been very supportive of the Administration's role.

**BUDGET:** I have spoken Michael Waldman about what I believe should be included in the budget bill signing remarks, and in the press conference opening statement. These remarks should stress the administration's accomplishments to date, but also emphasize the fact that we are now looking forward to our agenda for the fall.

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THE WHITE HOUSE

WASHINGTON

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August 2, 1997

THE PRESIDENT HAS SEEN
8-4-97

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: <u>DPC Weekly Report</u>

**1. Welfare -- Budget Bill:** The final welfare provisions of the budget bill prompted a front-page New York Times headline declaring "In Budget Bill, President Wins Welfare Battle." First, the bill guarantees Medicaid and SSI benefits to legal immigrants on the rolls in August 1996 <u>and</u> to legal immigrants residing in the U.S. on that date who have since become -- or in the future become -- disabled. Second, the bill includes a $3 billion welfare-to-work program, which has all the critical components of our original proposal: it establishes DOL as the administering agency; routes formula money through Private Industry Councils, thereby giving mayors effective control over its distribution; contains a fairly sizable competitive grant fund; allows the funds to be spent on a wide range of programs; targets funds to the hardest-to-place welfare recipients; and contains strong anti-displacement provisions.

Third, the bill contains a good welfare-to-work tax credit, which gives companies that hire long-term recipients a credit for 35% of wages up to $10,000 for the first year and 50% for the second year. Fourth, the bill continues Medicaid coverage for children who will lose SSI under the new definition of childhood disability contained in the welfare law. Fifth, the bill does not contain any provision to exempt workfare recipients from the FLSA and other worker protection laws (though we did agree, in exchange for making the child tax credit refundable, to a provision that benefits received by working welfare recipients would not qualify as wages for purposes of the EITC). Sixth, the bill also does not contain any provision allowing privatization of Medicaid and Food Stamp operations, in part because Governor Bush rejected a compromise that Texas run a substate demonstration covering up to 50% of recipients.

The best analysis of the welfare provisions comes from usually devoted supporters of the Republican Party. Robert Rector of the Heritage Foundation told the Washington Post that "the Republicans appear to have capitulated on almost every welfare issue." And Michael Tanner of the Cato Institute told the New York Times that "the President got everything he wanted and then some."

The Republicans have made clear that they intend to return to the issue of how worker protection laws apply to welfare recipients, perhaps on the Labor-HHS appropriations bill. In final budget discussions, we indicated some willingness to exempt workfare participants from FICA and FUTA, and we can offer that compromise again in a future fight on this issue. We also may not have seen the last of the privatization issue; House Republicans are upset at Governor Bush for declining a substate demonstration project, and they may take another run at enabling some state (perhaps Wisconsin) to privatize part of its Medicaid and Food Stamp operations. While awaiting these battles, we will work closely with DOL on implementing the new welfare-to-work program.

**2. Health -- Budget Bill:** We are very pleased with the health provisions in the budget agreement, especially the children's health package. After your statement at the NGA about the importance of a strong benefits package, we were able to secure a provision requiring States to choose from one of four packages: (1) the FEHBP model; (2) the benefits package of the most popular state HMO; (3) the state employee plan; and (4) the actuarial equivalent of any of the above three packages, provided it offers the same or better benefits for vision, hearing, mental health, and prescription drugs. In the overwhelming majority of states, this provision will ensure that children receive a strong package of benefits, including these four drug services. During final negotiations, we also succeeded in inserting several provisions that give further assurance that states will use the new funds to cover uninsured children, rather than to supplant existing funding. In the days following the agreement, newspapers quoted the General Counsel of the Children's Defense Fund as saying that the initiative will do "extraordinary good for millions of children" and the President of the American Academy of Pediatrics as saying that the package represented an "extraordinary commitment" to children's health care. We are now working on an implementation strategy to encourage and assist states to use the new investment to cover as many uninsured children as possible.

**3. Health -- Diabetes Announcement:** You are scheduled to announce on Friday -- probably with Speaker Gingrich -- new investments in the budget relating to diabetes. These investments include: $150 million over five years for Type I diabetes research (most common in children); $150 million for diabetes prevention, treatment, and research in the Native American population (the diabetes rate among Native Americans is nearly 3 times the national rate); and a new Medicare benefit for diabetes prevention. The American Diabetes Association (ADA) has said that this new package of investments is the most significant development for diabetes since insulin was discovered in the 1920s. You are also scheduled to announce a new collaborative effort between HCFA, ADA, and the National Committee on Quality Assurance to develop new standards of care for diabetes. Diabetes experts believe that this collaborative effort will significantly improve care for diabetics.

**4. Health -- Medicare Fraud:** We are preparing to release next week several new initiatives responding to the recent finding that the Medicare program lost $23 billion last year due to overpayments, fraud, and abuse. We hope to be able to announce that HCFA is immediately halting payments to providers identified in the report as committing fraud and that HCFA is undertaking comprehensive audits of providers identified as potentially defrauding the government. We also will announce a new quarterly report by HHS and DOJ on all fines, decertifications, and ongoing investigations of fraud and a new award for state and local governments and other organizations that have made outstanding efforts to eliminate fraud and abuse. Last, but most important, we suggest that when you sign the budget bill into law, you highlight the significant anti-fraud provisions that it contains.

**5. Education -- National Testing Initiative:** Rep. Goodling intends to offer an amendment to the Labor-HHS appropriations bill in September that would prohibit the Education Department from spending any FY 1998 funds on the development or administration of national tests. We thought the vote would be held last week and worked hard to mobilize supporters of the testing initiative -- including the AFT, NEA, Business Roundtable, National Alliance of Businesses, Chief State School Officers, and Council of Great City Schools -- to contact members. But if the vote had occurred last week, we might well have lost. While Democratic support was generally strong (with the exception of the Hispanic Caucus, discussed below), we would have held very few Republican votes. Even Rep. Riggs and Rep. Livingston, who originally were inclined to oppose the Goodling amendment, shifted their position later in the week, in part because of strong pressure from right wing groups, home schoolers, Lynn Cheney, and others. We may be able to ameliorate Republican concerns over the next month by agreeing to have the National Assessment Governing Board oversee the tests.

Why not?

No

The Hispanic Caucus has suggested that it might vote en bloc with Mr. Goodling. Members of the caucus object to our current intent to provide the 4th grade reading test only in English. They have asked the Department of Education to create a Spanish language version of the test that students with limited English proficiency could take instead. We are continuing to consult with members of the Caucus and are exploring ways of addressing their concerns, while maintaining our position that students should be expected to read in English.

Good

**6. Tobacco:** We have completed the public consultation phase of our review of the tobacco settlement, and we will be ready to present you with recommendations shortly. In one of our last meetings, we told Democratic members from tobacco states that they should let their constituents know that the Administration will insist that any settlement do right by tobacco farmers. We have asked Dan Glickman to go to tobacco markets in North Carolina and Virginia later this month to deliver the same message.

THE WHITE HOUSE

WASHINGTON

August 1, 1997

THE PRESIDENT HAS SEEN
8-4-97

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**MEMORANDUM FOR THE PRESIDENT**

**FROM:** **GENE SPERLING**

**RE:** **NEC Weekly Report**

**cc:** **ERSKINE BOWLES**

***Product Liability:*** Bruce Lindsey, Ellen Seidman and Peter Jacoby met with staffers for Senator Rockefeller and Mr. Dingell on Tuesday to follow up on your decision and Bruce's letter outlining it. The meeting was very cordial, and they are really appreciative of the process. We went over the items in the letter and discussed the background and justification for our positions.

The Dingell people raised the possibility of enacting fully two-way preemptive joint liability for economic damages in exchange for some (fully two-way preemptive) limitation on joint liability for non-economic damages. Although this would expand plaintiffs' rights in at least the 13 states that have gone to full several liability for both economic and non-economic damages (and perhaps more, where joint liability for economic damages is severely limited; we're checking), we also said we thought it was likely to be a non-starter because it would enshrine a difference between economic and non-economic damages in federal law.

We will meet again next week, when they will have some response to our proposals. They will also probably want to begin to talk to the Republicans. So far, per our agreement, the matter has been kept wholly within the Rockefeller and Dingell staffs, and the letter has not leaked.

***Amtrak:*** Ellen Seidman participated in discussions attempting to reach an agreement on Amtrak reform as part of the budget agreement, with a main focus on the liability issues. While in the end Senator Lott refused to accept any compromise on either liability or labor and the deal was killed, we had negotiated to a point on liability where there was no discussion of punitive damages and the global cap on all damages arising from an incident did not apply to incidents involving releases of hazardous substances or oil. The cap, however, was still too low, and it was probably just as well -- given the state of our products discussions -- that we did not end up agreeing to it as part of a broader agreement.

A. Lee
We know
need to get our main stories
in local papers
state newspapers
throughout

***Budget:*** As Congress prepared to go on recess, we compiled state-by-state information on the numbers of families who will receive the child credit, the number of students who will benefit from the HOPE Scholarship and Tuition Tax Credits and the amount of money for children's health. We sent that up to Hill Democrats Thursday night. We also sent up examples of how the typical American family benefits from the child and education tax cuts. (See Attached)

***Climate Change:*** I met with Katie McGinty, Todd Stern, Dan Tarullo, and Larry Summers to discuss our negotiating posture in Bonn -- where negotiators are meeting this week and next week to shape a draft text (without specific reduction schedules) for Kyoto in December. The importance of involving developing economies in a greenhouse gas emissions system was underscored at a working dinner on climate change that I attended on Thursday. Senator Kerry strongly emphasized that a treaty lacking specific developing economy commitments would be dead-on-arrival in the Senate. This same sentiment is reflected in the Byrd resolution, which passed the Senate 95-0 last week, and which calls for specific scheduled emissions commitments from the developing economies. We will continue these discussions early next week.

***Securities Litigation Reform:*** The NEC principals met last week to work out a position to recommend to you on this issue. While there will have to be further refinement, in general, the group seemed to think that we should go slowly but there might be some actions that would be appropriate and would not harm those portions of the securities legal system that should remain in state courts. Based on last week's meeting and your letter to Senator Dodd, we have drafted a proposed memo to you which will be reviewed by the NEC principals.

***D.C. Pensions:*** The DC pension provisions passed as part of the budget bill, culminating months of really hard work by, in particular, the PBGC, with help from OMB, Treasury and Labor. The bill as passed creates every incentive for the District government to move very quickly to adopt a replacement plan, at which we take over. We will work with OMB and Treasury too. PBGC staff are to be especially commended for this purely volunteer effort, which was one of Marty's last commitments before he died. We have drafted a letter for Raines to send to David Strauss.

***Hispanic Education:*** Bob Shireman, on our staff, brought in staff from three agencies for the third in the series of discussions with the Hispanic Caucus, this one focusing on Head Start, Child Care, WIC, and Education Department programs relating to early childhood education and development. There was a great deal of interest in the Even Start Family Literacy Program, which funds programs like HIPPY and Parents as Teachers. On the overall Hispanic Education project, we are in the process of pulling together a series of recommendations to push back at the agencies in August, so that we would be ready with a plan in September. We are working closely with DPC to coordinate that effort with the need to answer the Hispanic Caucus's questions about the national test. In light of the increased interest in the Hispanic drop-out rate, we are talking with Sylvia about the possibility of doing an event with the Congressional Hispanic Caucus if it fits in your schedule.

Yes

***Caribbean Basin Initiative:*** As you know, despite the fact that we brokered a compromise that ultimately won the support of all elements of the industry, bridged a considerable distance between the House and Senate, and had a reasonable chance of overcoming a Byrd rule challenge, the price demanded in unrelated areas was too high, and we lost the measure. Over the next few weeks, we will need to consider whether to work for inclusion of the Caribbean trade legislation on a fast track bill or identify some other vehicle.

Keep trying

# Delivering A Balanced Budget with Real Benefits for Families in California

*Building on the success of the 1993 Economic Plan, which President Clinton and Democrats in Congress enacted, this year's budget finishes the job, delivering the first balanced budget in a generation, plus the largest investments in education and health care in a generation. This balanced budget provides real benefits to families who work hard and are trying to do the best for their kids.* ***Top priority is placed on what all parents want for their kids: good health and a strong education.***

**TUITION TAX CREDITS TO OPEN THE DOORS OF COLLEGE AND PROMOTE LIFELONG LEARNING**. The balanced budget includes the largest investment in higher education since the G.I. Bill in 1945 -- delivering a major victory for parents trying to pay for their children's college and for working people trying to upgrade their skills. It includes both President Clinton's $1,500 HOPE Scholarship to help make the first two years of college as universal as a high school diploma and a Lifetime Learning Tax Credit for college juniors, seniors, graduate students and working Americans pursuing lifelong learning to upgrade their skills. This 20% tax credit will be applied to the first $5,000 of tuition and fees through 2002 and to the first $10,000 thereafter.

- ✔ **761,000 students in California will receive a HOPE Scholarship tax credit of up to $1,500.**
- ✔ **934,000 students in California will receive the Lifetime Learning Tax Credit.**

**A $500 CHILD TAX CREDIT TO HELP FAMILIES RAISING CHILDREN.** To help make it easier for families to raise their children, the balanced budget includes a $500 per-child tax credit for children under 17. *Take a family with a mother, father, and two kids, with an income of $40,000. In 1999, they will receive a child tax credit of $1,000.*

- ✔ **The Balanced Budget delivers a child tax credit to 3,229,000 families in California.**

**HEALTH CARE FOR UNINSURED CHILDREN.** The balanced budget includes the largest single investment in health care for children since the passage of Medicaid in 1965 -- an unprecedented $24 billion over five years to cover as many as five million children throughout the nation. This investment guarantees the full range of benefits -- from checkups to surgery -- that children need to grow up strong and healthy. It ensures that prescription drugs, vision, hearing, and mental health coverage now offered at the state level are extended to millions of uninsured children.

- ✔ **To expand health coverage to uninsured children in California the Balanced Budget provides $855 million in 1998 and $3.969 billion over five years.**

# The Balanced Budget Delivers
# Real Tax Relief for America's Families

*How Typical American Families Will Benefit*

**Example #1 -- Family of Four with income of $40,000**

Consider a family of four with an income of $40,000 a year. The father is a carpenter who makes $25,000, and the mother works at a local department store and makes $15,000. They have two children, a son who is 14 and a freshman in high school and a daughter enrolled full-time in her first year at a state university. Her tuition is $5,000 a year.

This family benefits from the tax cut in at least two ways. They will receive a child tax credit of $500 for their son, plus a HOPE Scholarship of $1,500 for their daughter. In total, they will receive a $2,000 tax cut.

**Tax Cut**

Family of four with two children
aged 14 and 18 and $40,000 income:

| | |
|---|---|
| Child Tax Credit for 14 year old | **$500** |
| HOPE Scholarship for 18 year old | **$1,500** |
| | --------- |
| **Total tax cut:** | ***$2,000*** |

* Tax Year 1999

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

THE PRESIDENT HAS SEEN
8-4-97

August 1, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: KATHLEEN A. McGINTY

CC: ERSKINE BOWLES

RE: CEQ WEEKLY REPORT

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RESOURCE STEWARDSHIP

Lake Tahoe

The Lake Tahoe Forum was a tremendous success. Both the Vice President's workshop on Friday and your joint forum on Saturday received high marks from the basin community, elected officials, the media, the Congressional delegation, and especially Senator Harry Reid (D-NV). Overwhelmingly, residents are extremely pleased with the Administration's increased commitment to the Lake Tahoe region. Elected officials from both sides of the aisle praised your efforts -- the only negative response came from Governor Pete Wilson (D-CA). Resources Secretary Doug Wheeler, speaking on behalf of Governor Wilson, indicated your commitment to protect the basin fell well short of what is needed. Attached is a copy of a *San Francisco Chronicle* editorial which chides the Governor for this position and encourages him to work with the White House.

Press coverage of the events included articles in the *Sacramento Bee, Reno Gazette-Journal, Nevada Appeal, San Francisco Chronicle, San Francisco Examiner, New York Times, Washington Post, Boston Globe,* and others.

Endangered Species Act

Congressman George Miller (D-CA) introduced a bill to reauthorize the Endangered Species Act this week. It reflects many positions endorsed by the environmental community, and will be viewed as a marker for their position. Senators John Chafee (R-RI), Dirk Kempthorne (R-ID), Max Baucus (D-MT) and Harry Reid (D-NV) came close to announcing their bill this week, but Senator Kempthorne decided to delay any announcement until after further consultation with his constituents over the August recess. We have been supportive of the Senate process, but at this point are not certain what the final bill will contain. The environmental community will likely oppose it in favor of Rep. Miller's bill.

INTERNATIONAL LEADERSHIP

The International Dolphin Conservation Act

As you may know, the Administration was successful in reaching a compromise on this legislation late last week. I am pleased to report that the Senate passed this bill in a vote of 99-0. House passage of the amended bill is anticipated in the near term. The National Security Council, the Department of State, the Department of Commerce, and White House Legislative Affairs all deserve tremendous credit for helping us craft this major victory. I am very grateful to them for their assistance.

OTHERS

Politics and the Environment

Some members of the Republican party continue to try to move the party to a friendlier, and more politically popular position on the environment. Recent reports from New Jersey say that a GOP state committee memo touts the environmental record of New Jersey Republicans and asks fellow New Jersey GOPers to join the Sierra Club "to help our elected officials in getting the message to the good people of New Jersey." Governor Whitman, as chairman of the NGA Committee on Natural Resources, also took the lead in trying to craft a positive environmental message at the NGA conference.

Speaker Gingrich is also recognizing that combining sound environmental policies with an effective message is a good position to be in. At a recent meeting of the American Farm Bureau on the subject of the new clean air rules he said, "If the American people think you're anti-environment, frankly you're not going to get anything done . . . because there's a broad social consensus that's pretty overwhelming that people identify the environment as quality of life, that people identify the environment as public health, that it's something that's part of their legacy for their children."

This all underscores the imperitave of our keeping a high profile on; identity with; and ownership of this important issue.

San Francisco Chronicle



Tuesday, July 29, 1997 · Page A20 

# EDITORIAL -- Clinton Delivers for Tahoe

PRESIDENT CLINTON'S brought $26 million in new federal funding for the effort to preserve Lake Tahoe -- and more. He was accompanied by Vice President Al Gore, Interior Secretary Bruce Babbitt, Environmental Protection Agency chief Carol Browner, Agriculture Secretary Dan Glickman and top White House environmental adviser Katie McGinty.

Consequently, the chances of the Lake Tahoe issue remaining on the administration's radar screen are quite good. This summit produced a highly successful weekend for those who care about preserving this alpine lake.

Biologists such as Charles Goldman of UC Davis -- who has been researching the lake for 35 years -- know that its legendary clarity is seriously threatened by an array of factors. Goldman believes the next decade will determine whether Lake Tahoe retains its ecological specialness or becomes yet another polluted mountain lake. A draft environmental plan before the Tahoe Regional Planning Agency estimates that it could cost more than $900 million over that period to halt erosion, restore wetlands and preserve forest health in the basin.

The Clinton commitment -- which doubles federal spending on Lake Tahoe preservation -- is, to be sure, a modest down payment on such an effort. Still, there was no need for the political posturing by the Wilson administration.

Resources Secretary Doug Wheeler, who attended the summit, scoffed at the Clinton pledge as inadequate. However, the president was offering real money, which he can deliver in discretionary grants within the budget. Wilson's ``pledge'' of $275 million is not binding on the Legislature or the governors who will be in office for the final eight years of his 10-year plan.

Wilson should be working with the White House on this issue, not looking for one-upmanship opportunities.

It is going to take real money and a real high-level commitment from Washington to save the lake. We are now beginning to see both.

# WEEKLY ECONOMIC BRIEFING
# OF THE PRESIDENT OF THE UNITED STATES

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

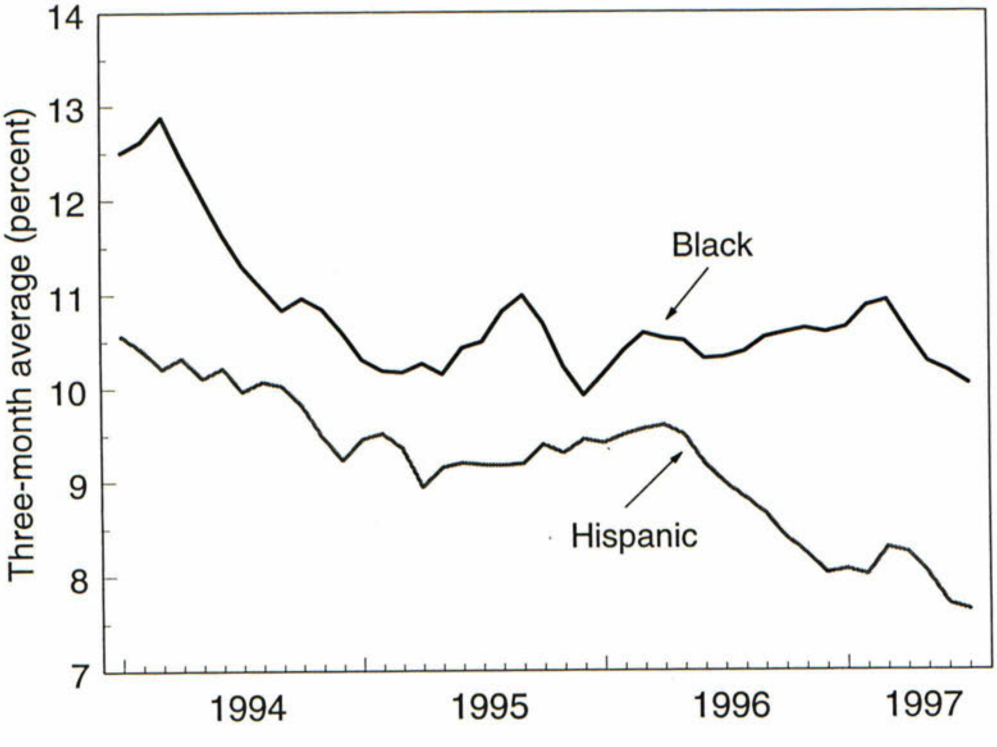
97-77

August 1, 1997

THE PRESIDENT HAS SEEN
8-4-97

## CHART OF THE WEEK

Black and Hispanic Unemployment Rates




Copied
Yellen
CoS

After falling through the early stages of this expansion, both the black and the Hispanic unemployment rates leveled off through 1995 and into 1996. Since then, the two groups have had quite different experiences, with the Hispanic rate falling sharply and the black rate remaining flat. In July, the Hispanic rate edged up slightly to 7.9 percent, the black rate dropped to 9.4 percent, and the white rate remained constant at 4.2 percent. (The improved employment situation for Hispanics may ameliorate what had been a disappointing earnings picture, see *Weekly Economic Briefing*, March 14, 1997.)

# CONTENTS

CURRENT DEVELOPMENTS

GDP Scorecard: Second Quarter 1997 . . . . . . . . . . . . . . . . . . . . . . . 1

Annual GDP Revisions Fail to Resolve Output Puzzle . . . . . . . . . . . 2

Wage Increases: Still in the Non-Inflationary Zone . . . . . . . . . . . . . 4

SPECIAL ANALYSIS

Slow Growth in Health Insurance Benefits Still Evident . . . . . . . . . . 5

ARTICLE

How Do We Know Whether We Save Enough? . . . . . . . . . . . . . . . . 6

DEPARTMENTS

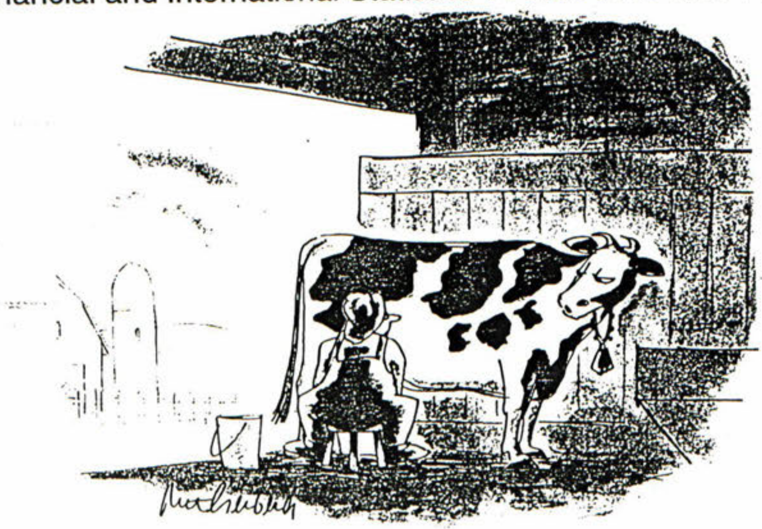
Business, Consumer, and Regional Roundup . . . . . . . . . . . . . . . . 8

International Roundup . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 9

Releases . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 10

U.S. Economic Statistics . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 11

Financial and International Statistics . . . . . . . . . . . . . . . . . . . . . . 12



*"By the way, I'm taking off the first two weeks in August."*

## CURRENT DEVELOPMENT

# GDP Scorecard: Second Quarter 1997

Real GDP rose at a 2.2 percent annual rate in the second quarter of 1997. Large increases in business equipment investment and defense purchases offset anemic growth in consumer spending and a decline in net exports. The GDP report confirms that inflation remains in check, as the GDP price index, the broadest measure of inflation, increased only 2.1 percent—down slightly from last year's pace.

| Component | Growth* | Comments |
|---|---|---|
| Total consumer expenditures | 0.8% | Growth in the second quarter was very slow after inexplicably strong growth during the first quarter. Much of the second-quarter slowdown is accounted for by motor vehicles. |
| Producers' durable equipment | 20.4% | The increases were distributed across all the major sectors of equipment spending. Over the past 4 quarters, equipment investment has increased 12 percent. |
| Nonresidential structures | 2.3% | Business construction is holding at a fairly high level after a huge leap in the first half of 1996. |
| Housing | 5.6% | The pickup in second-quarter construction is the legacy of the first-quarter pickup in starts. The recent pattern of starts points to a slight construction decline in the third quarter. |
| Nonfarm inventories (change, billions of 1992 dollars) | $60.7 | The very rapid pace of stockbuilding was a bit faster than the already-rapid first-quarter pace. Even so, inventories remain lean with respect to sales. The inventory-to-sales ratio fell dramatically in 1995 and 1996, and businesses now seem to be trying to rebuild. |
| Federal purchases | 8.4% | A large increase in defense purchases. |
| State & local purchases | 1.3% | Below-trend growth in the second quarter resulting from a drop in construction activity. |
| Exports | 14.4% | Another very strong quarter of export activity. Exports have grown 13 percent in the past 4 quarters. |
| Imports | 21.8% | Both capital and consumer goods contributed to the increase. Because our economy is growing faster than those of our trading partners, imports are growing faster than exports. |

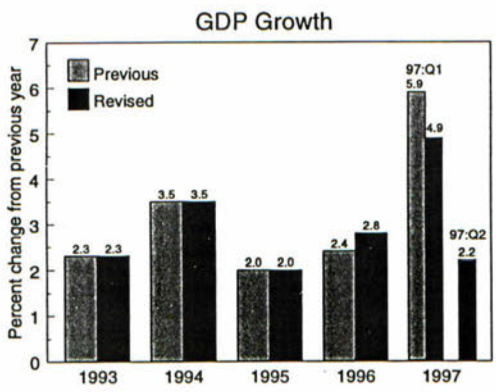
*Percent real growth in the second quarter at annual rates (except inventories). The advance estimate is subject to substantial revision—especially for exports, imports, and inventories where the estimates are based on only 2 months of data.

CURRENT DEVELOPMENT

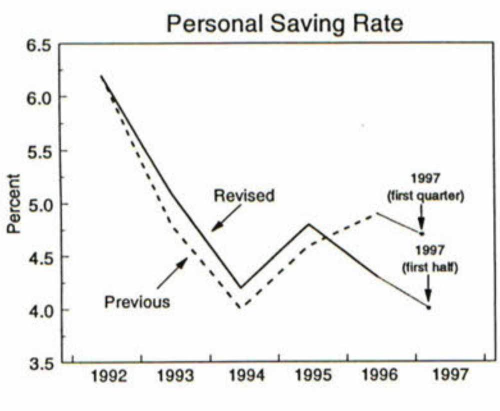
## Annual GDP Revisions Fail to Resolve Output Puzzle

Much source data arrive too late for the quarterly estimates of GDP, but the Commerce Department incorporates this information in its annual revision. This year's revision reaches back 4 years—a bit farther than usual—and provides a slightly different picture of some key economic relationships.

Analysts had hoped that this year's annual revision to GDP would clear up a puzzling discrepancy between growth in output and growth in income. But it did not.

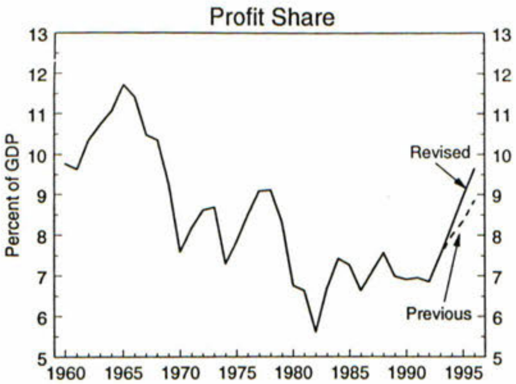



**GDP.** Growth in GDP in 1996 was revised up 0.4 percentage points to 2.8 percent. This upward revision was accounted for by faster growth of services consumption, inventory investment, and equipment investment. The revisions left overall growth rates unchanged for earlier years (see upper chart). In those years, higher growth in consumption of services was generally offset by slower growth in investment.



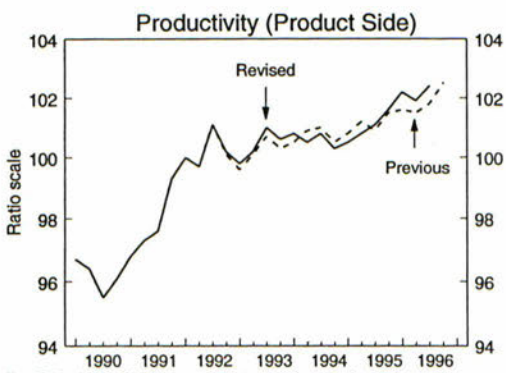

**Saving.** Economic theory suggests that the strength in the stock market should have reduced the saving rate as consumers spent some of their capital gains. Yet the pre-revision data showed the personal saving rate edging up over the past 2 years (see lower chart). Because consumption was revised up proportionately more than income in 1996, the personal saving rate was revised down 0.6 percentage point. This revision makes the saving rate more consistent with the increase in financial wealth.

**Profits.** Reflecting new IRS tabulations, the profit share of GDP was revised up to 9.6 percent (from 8.9 percent) and is now the highest it has been since




1968 (see upper chart). The upward revision to profits was partly accounted for by a downward revision to employee benefits.

**The income- versus product-side puzzle.** Since the first quarter of 1993, gross domestic product (the sum of spending) grew at a 2.9 percent annual rate—compared with a 3.4 percent rate for gross domestic income. And the gap between the product- and the income-side measures has been widening. Both GDI and GDP were revised upward by comparable amounts, with the result that the statistical discrepancy (which is used to reconcile the two sides) remained large in 1996.



Note: Revised productivity figures are estimates based on revised output data.

**Implications for productivity.** In the pre-revision data, the official product-side measure of nonfarm productivity had grown at only a 0.6 percent annual rate over the past 4 years, in contrast to the 1.5 percent rate measured on the income-side. Revised data show stronger growth in product-side productivity in 1996, but little change for earlier years (see lower chart).

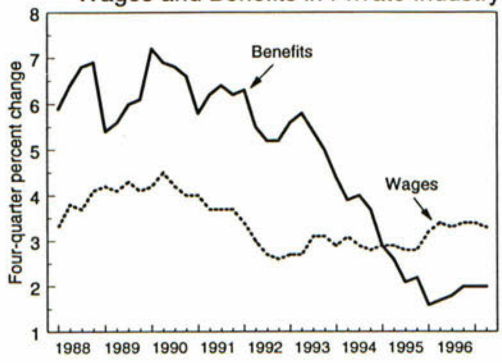
**Keep on the income side.** Over the past 4 years, the behavior of the official product-side measure of productivity has posed a paradox. Given observed growth in wages and prices, the relatively sluggish growth in productivity implies unit labor costs that are increasing faster than prices, which ought to squeeze profits. Yet profits are relatively high and have been trending up. Using the unofficial income-side productivity measure (or an average of the two) resolves this paradox and remains our preferred approach.

CURRENT DEVELOPMENT

## Wage Increases: Still in the Non-Inflationary Zone

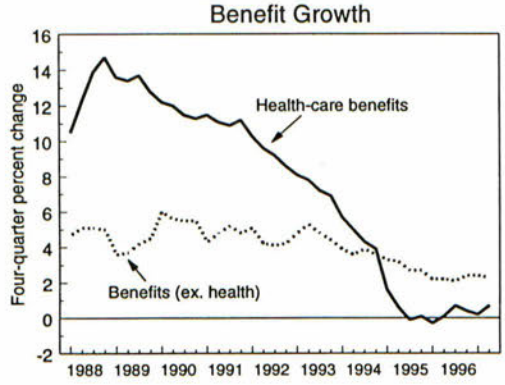
The employment cost index (ECI) measure of hourly compensation rose 2.9 percent over the past 12 months—unchanged from the pace of the past 2 years. This is consistent with real compensation gains of about 0.6 percent over the past 12 months.

Wages and Benefits in Private Industry



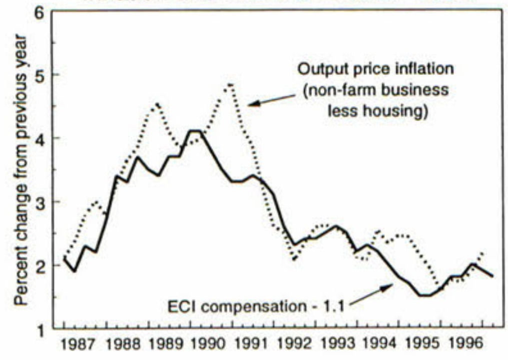

**Offsetting effects.** The stability of the increases in hourly compensation in the face of a very low unemployment rate is becoming more and more surprising. Although wage growth has picked up slightly, this growth has been offset by continuing low rates of benefit growth (see upper chart). Indeed this general pattern has prevailed for the past 2 years.

Benefit Growth




**Benefit restraint.** Benefit growth was restrained to a large extent by slow growth of employer-paid health-insurance costs (see middle chart). Over the past year, these costs have increased only 0.7 percent (up slightly from the year-earlier pace). Four years ago, these costs were increasing at about 8 percent per year, and 8 years ago they were rising at a 13 percent annual pace. Wages and salaries (excluding benefits) rose 3.3 percent over the past year—about the same as their year-earlier pace.

Inflation and Trend Unit Labor Costs

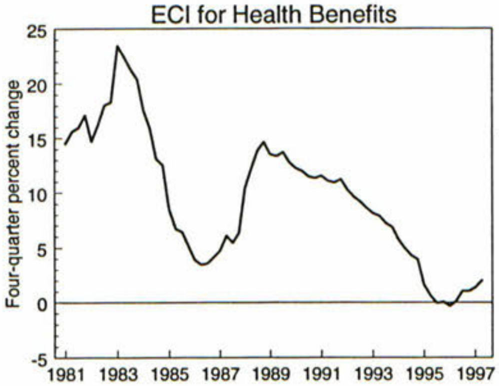


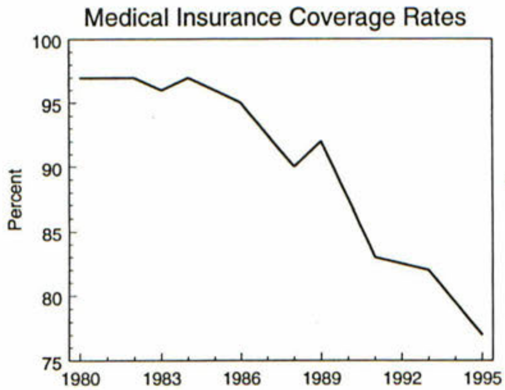

**Implications.** Looking at these same data from another perspective, trend unit labor costs have been increasing at about 1.8 percent per year (2.9 percent growth of compensation less 1.1 percent trend growth of productivity—see bottom chart). With unit labor costs growing no faster than recent rates of output price inflation, labor costs are not adding to inflationary pressure.

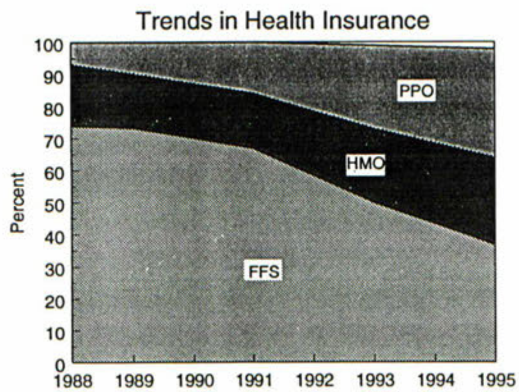
## SPECIAL ANALYSIS

# Slow Growth in Health Insurance Benefits Still Evident

The just-released employment cost index (E.I.) shows that increases in employer-paid health insurance benefits were again modest in the second quarter (see upper chart). Possible reasons for the slow growth are lower employer health coverage rates, the growing prevalence of managed care, and employers' shifting insurance costs to employees (see *Weekly Economic Briefing,* November 22, 1996). New data useful for sorting out these effects have just become available from the Employee Benefits Survey. Unfortunately, they are only for 1995.




**Declining coverage rates.** Medical insurance coverage rates for full-time employees in firms with 100 or more employees fell from 82 percent in 1993 to 77 percent in 1995 (see middle chart). This reflects a continuation of a decline that has been evident for some time.

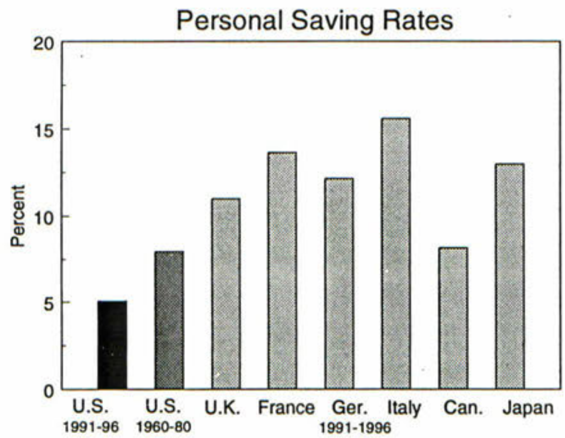
**More managed care.** The dramatic shift away from traditional fee-for-service (FFS) plans continued between 1993 and 1995, with enrollment in these plans falling from about half to only 37 percent of employees enrolled in a medical care plan. The market share for HMOs increased from 23 to 27 percent; enrollment in somewhat less restrictive Preferred Provider Organizations (PPOs) grew from 26 to 34 percent (see lower chart.)

**Cost-shifting to employees.** The long-term trend has been towards increased employee cost-sharing. For example, the percent of workers whose employers fully financed family coverage fell from 37 in 1988 to 29 in 1992. But employee payments do not appear to have risen substantially over the last few years. Thus, based on trends in the most recent data, the modest growth in employer health-benefits costs appears to be attributable to a combination of slower per employee premium growth—due largely to shifts to managed care—and to declining coverage rates.

ARTICLE

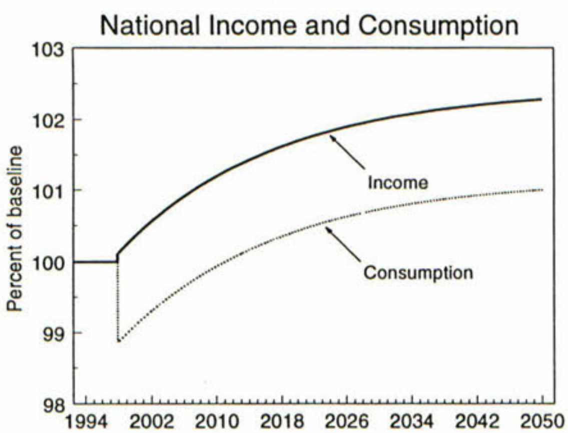
## How Do We Know Whether We Save Enough?

The sharp reduction in Federal budget deficits during this Administration represents a major boost to national saving. However, the personal saving rate in the United States remains low compared with both our own past rates and those of other industrialized countries (see upper chart). From a macroeconomic perspective, low personal saving is problematical because it contributes to low national saving. From a microeconomic perspective, low personal saving raises the concern that some consumers may not be preparing adequately for retirement.




**A macroeconomic perspective.** Perhaps the most important purpose of national saving is to build up the capital stock in order to raise output and provide greater future consumption. Whether an increase in saving is desirable therefore depends on how we assess the tradeoff between more consumption now and more consumption later.

Estimates of the pretax net rate of return on capital—the payoff from consuming less now—range from 9 to 15 percent. Assuming a 12 percent rate of return, the chart below shows the currently available tradeoff; it depicts the projected effect on national income and consumption of a permanent one percentage point increase in the national saving rate in 1998. In this illustration, consumption would remain lower than its baseline level for about 13 years, or until 2011, after which it would be permanently higher than the baseline. The exact length of the "payback time" depends on specific assumptions but is probably in the range from 7 to 20 years.




Judging whether the tradeoff in the figure is worthwhile depends on two things: how strong the Nation's preference is for current consumption over future consumption (the degree of national "impatience"); and, how willing the Nation is to redistribute consumption from current generations to future generations who will already have been made richer by technological progress. Under plausible assumptions about technological progress and the degree of impatience, the tradeoff depicted in the figure looks desirable; this calculation leads many economists to believe that national saving remains lower than optimal.

**A microeconomic perspective**. Even if overall national saving were high, some individual households or population groups might be saving too little. For example, longer lifetimes, earlier retirement, uncertainty about prospects for Social Security and Medicare, and cutbacks in employer-provided pensions raise concern about the adequacy of baby boomers' retirement saving.

A recent study found that roughly a third of boomers are saving enough to maintain or even improve their standards of living when they retire. Another third will probably face moderate cuts in spending, but because spending needs fall upon retirement, their standard of living may suffer little or no decline. Only about a third of boomers appear to be headed for a severe drop in living standards upon retirement, unless they sharply boost their saving rates or delay their retirement by several years. The groups facing the greatest problems are those who do not own homes, are unmarried, have little education, or have no private pension coverage.

**Raising the saving rate is hard.** The most direct way for the government to raise the national saving rate is to cut the budget deficit sharply—a difficult task, but one that the Administration has already accomplished. To raise national saving further, the government would have to run a budget surplus, and devote those funds either to paying down the national debt or to reinforcing the Social Security trust fund. It is more difficult to design public policies that will unambiguously increase the personal saving rate, particularly the saving of those households who are currently not saving enough for retirement.

## BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

**The Nation's First Stretch of Automated Highway Begins Test Runs.** Twelve self-driven cars and buses navigated 7.6 miles of magnetized highway in a demonstration project earlier this month in San Diego, California. A guidance and control unit mounted in each vehicle enables the magnetized vehicles constantly to orient themselves within the highway's magnetized boundaries. Automated highways could accommodate up to three times as many cars as existing highways, while reducing congestion and accidents. The project stems from 1991 legislation that directed the Department of Transportation to develop fully automated, intelligent vehicle-highway systems. Partners in the project include Lockheed Martin, General Motors, and Carnegie Mellon University. The first full-length automated highway is expected to be running by 2002, but the location has not yet been selected.

**An Unexpected Bonus for Summer Drivers.** Gasoline prices have been unexpectedly low this summer. Prices have been trending downward since the beginning of the year, even though increased summer demand usually boosts prices during the driving season. Indeed, in early April, the Energy Information Administration (the statistical branch of the Department of Energy) projected an increase of 5 cents per gallon in the average price of gasoline, to about $1.30. During this driving season, however, gasoline prices edged down to an average of $1.22 per gallon by the end of July, the lowest price since March 1996.

## INTERNATIONAL ROUNDUP

**Thailand Will Seek IMF Assistance.** In an effort to stabilize its currency, the baht, Thailand has finally agreed to seek IMF financial assistance. In exchange, Thailand will have to submit to certain IMF conditions, the terms of which are currently under negotiation. Unlike the Philippines which sought IMF aid almost immediately after its currency devaluation, the Thai government did not seek IMF aid because of its reluctance to accept IMF conditionality. Japan has stated that it is also willing to consider bilateral assistance to Thailand, but only within the framework of a broader IMF-aid package. International currency markets appeared to have reacted favorably to Thailand's decision to seek IMF aid.

**Controversy over Monetary Policy Emerges in China.** Recent figures show that real Chinese GDP was 9.5 percent higher in the first half of 1997 than it was in the comparable period of 1996. Retail price inflation continued its downward trend, falling to an annual rate of 7 percent by the end of June. Despite this good news, concern remains within China about slack domestic demand, and pressure to loosen the money supply has emerged. Proponents of an interest rate cut point to growing inventories and slowing rates of fixed investment. Inventory growth is particularly striking in the state-owned sector where stockpiles have risen 40 percent in real terms over the last 2 years. These inventories often consist of goods that are of a quality too poor to be marketed, and their continued growth distorts data on real economic growth and industrial output. Despite these concerns, official government statements underscore the need for "tight" monetary policy, suggesting that a substantial cut in interest rates is unlikely.

**U.S. Direct Investment Abroad Is Over $1.5 Trillion in 1996.** The market value of U.S. direct investment abroad topped $1.5 trillion in 1996, while direct investment in the United States had a market value of nearly $1.3 trillion. The number one destination for U.S. direct investment abroad is still the United Kingdom, which holds 18 percent of U.S. direct investment overseas (on a book value basis). Canada is second with 12 percent. Europe receives about half of U.S. direct investment, while Latin America and the Asia/Pacific region each account for roughly 18 percent. Japan hosts about 5 percent of U.S. direct investment while Mexico holds over 2 percent. In terms of foreign direct investment into the United States, the United Kingdom is the number one investor (23 percent), followed by Japan (19 percent), the Netherlands (12 percent), and Germany (10 percent).

## RELEASES THIS WEEK

**Employment and Unemployment**

****Embargoed until 8:30 a.m., Friday, August 1, 1997****

In July, the unemployment rate fell to 4.8 percent from 5.0 percent in June. Nonfarm payroll employment rose by 316,000.

**NAPM Report on Business**

****Embargoed until 10:00 a.m., Friday, August 1, 1997****

The Purchasing Managers' Index increased to 58.6 percent in July from 55.7 percent in June.

**Gross Domestic Product**

According to advance estimates, real gross domestic product grew at an annual rate of 2.2 percent in the second quarter.

**Consumer Confidence**

Consumer confidence, as measured by The Conference Board, fell 3.4 index points in July, to 126.5 (1985=100).

**Employment Cost Index**

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

## MAJOR RELEASES NEXT WEEK

Leading Indicators (Tuesday)

## U.S. ECONOMIC STATISTICS

| | 1970-1993 | 1996 | 1996:4 | 1997:1 | 1997:2 |
|---|---|---|---|---|---|
| **Percent growth** (annual rate) | | | | | |
| Real GDP (chain-type) | 2.7 | **3.2** | **4.3** | **4.9** | **2.2** |
| GDP chain-type price index | 5.4 | **2.3** | 1.9 | **2.4** | **1.4** |
| Nonfarm business (NFB) sector: | | | | | |
| Productivity (chain-type) | 1.5 | 0.9 | 1.3 | 2.6 | N.A. |
| Real compensation per hour: | | | | | |
| Using CPI | 0.6 | 0.4 | 0.3 | 2.8 | N.A. |
| Using NFB deflator | 1.3 | 2.2 | 2.8 | 2.7 | N.A. |
| **Shares of Nominal GDP** (percent) | | | | | |
| Business fixed investment | 10.9 | **10.2** | **10.4** | **10.2** | **10.4** |
| Residential investment | 4.5 | **4.0** | **4.0** | **4.0** | **4.0** |
| Exports | 8.2 | **11.4** | **11.6** | **11.6** | **11.8** |
| Imports | 9.2 | 12.6 | **12.7** | **12.9** | **13.1** |
| Personal saving | 5.3 | **3.1** | **2.8** | **2.7** | **3.1** |
| Federal surplus | -2.7 | **-1.4** | **-1.0** | **-0.7** | N.A. |

| | 1970-1993 | 1996 | May 1997 | June 1997 | July 1997 |
|---|---|---|---|---|---|
| **Unemployment Rate** | 6.7** | 5.4** | 4.8 | 5.0 | **4.8** |
| **Payroll employment** (thousands) | | | | | |
| increase per month | | | **163** | **228** | **316** |
| increase since Jan. 1993 | | | | | **12862** |
| **Inflation** (percent per period) | | | | | |
| CPI | 5.8 | 3.3 | 0.1 | 0.1 | N.A. |
| PPI-Finished goods | 5.0 | 2.8 | -0.3 | -0.1 | N.A. |

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

New or revised data in **boldface**.
Employment and unemployment data **embargoed until 8:30 a.m., Friday, August 1, 1997.**

## FINANCIAL STATISTICS

| | 1995 | 1996 | May 1997 | June 1997 | July 31, 1997 |
|---|---|---|---|---|---|
| **Dow-Jones Industrial Average** | 4494 | 5743 | 7242 | 7600 | 8223 |
| **Interest Rates** | | | | | |
| 3-month T-bill | 5.49 | 5.01 | 5.05 | 4.93 | 5.11 |
| 10-year T-bond | 6.57 | 6.44 | 6.71 | 6.49 | 6.02 |
| Mortgage rate, 30-year fixed | 7.95 | 7.80 | 7.94 | 7.69 | 7.36 |
| Prime rate | 8.83 | 8.27 | 8.50 | 8.50 | 8.50 |

## INTERNATIONAL STATISTICS

| **Exchange Rates** | **Current level July 31, 1997** | **Percent Change from** | |
|---|---|---|---|
| | | **Week ago** | **Year ago** |
| Deutschemark-Dollar | 1.838 | 0.4 | 24.8 |
| Yen-Dollar | 118.4 | 2.1 | 10.9 |
| Multilateral $ (Mar. 1973=100) | 99.70 | 0.9 | 15.9 |

| **International Comparisons** | **Real GDP growth (last 4 quarters)** | **Unemployment rate** | **CPI inflation (last 12 months)** |
|---|---|---|---|
| United States | 3.1 (Q2) | **4.8** (Jul) | 2.3 (Jun) |
| Canada | 2.8 (Q1) | 9.5 (May) | 1.8 (Jun) |
| Japan | 2.6 (Q1) | 3.6 (May) | 2.2 (Jun) |
| France | 1.1 (Q1) | 13.0 (Mar) | 1.0 (Jun) |
| Germany | 2.8 (Q1) | 7.8 (Apr) | 1.7 (Jun) |
| Italy | -0.4 (Q1) | 12.3 (Jan) | 1.4 (Jun) |
| United Kingdom | 3.5 (Q2) | 6.9 (May) | 2.9 (Jun) |

U.S. unemployment data **embargoed until 8:30 a.m., Friday, August 1, 1997.**

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POLITICS & POLICY

# Tobacco-Funded Group Gives Legislators Free Trips

By TATIANA S. BONCOMPAGNI
And JILL ABRAMSON
*Staff Reporters of* THE WALL STREET JOURNAL

For a member of the Mississippi legislature, Charlie Williams gets around.

In the past two years, Mr. Williams has gone to Spain, Belgium, Australia and Costa Rica, all courtesy of the New York Society for International Affairs.

In June, Mr. Williams and a small group of officials from other states spent five days in Costa Rica, including a stay at the posh Melia Playa Conchal resort, where they were treated to a jungle boat safari. The New York Society paid for everything, including accommodations for their guests.


*Charlie Williams*

Mr. Williams is happy to have his international education underwritten by the society. The 53-year-old Tate County Republican, who has served in the Mississippi legislature since 1975, hopes to win the GOP gubernatorial nomination in his state in 1999. If he makes it to the governor's mansion, he'll have to push Mississippi exports into the global marketplace. If he loses, it might be to Mike Moore, the state's brash Democratic attorney general who filed the landmark lawsuit against the big tobacco companies.

Therein lies one reason why a New York international affairs society would assiduously court a Mississippi state legislator.

The nonprofit New York Society, it turns out, receives almost all of its funding from **Philip Morris** Cos. Mr. Moore, who just helped his state collect the first installment on a $3.4 billion settlement with the tobacco industry to recover costs from smoking-related illnesses, has been a major thorn in Philip Morris's side. Mr. Williams opposes the lawsuit Mr. Moore filed against Big Tobacco and says, "It is unfair that the state can go to court and sue when tobacco is a legal entity that has paid taxes."

### No Strings Attached

With some states toughening their ethics laws and corporate junkets attracting unflattering press attention, the trips sponsored by the New York Society provide a vehicle for lawmakers to travel without any special-interest strings showing. A few years ago, for example, Mr. Williams drew criticism for letting Philip Morris pay his way to the Super Bowl. And the trips give Philip Morris, under fire from the attorneys general of more than 20 states, the possibility of finding new allies at the state level.

The society recruits its trip-goers through two political organizations, the Council of State Governments and the National Governors Association. Mr. Williams is the chairman-elect of the CSG, a bipartisan group of state legislators. A spokeswoman for the CSG says the trips "provide our members with a wonderful opportunity," and says she thinks the New York Society has diverse funding.

Andrew Whist is president of the society. In an interview, he says he helped launch the group years ago with the late David Morse, a labor lawyer who once led the International Labor Organization. The 63-year-old Mr. Whist says the organization aims to promote international trade and says it has underwritten 18 trips for governors and various state officeholders.

In Costa Rica, besides Mr. Whist, there were three other representatives of the New York Society, including Kevin Callahan, its director, a younger woman who was introduced to the legislators as an intern, and another person whose name seems to have escaped his travel companions' minds.

### Headquartered in a Chair

Other basics about the organization are also difficult to pin down. Where is the New York Society for International Affairs headquartered? At first, Mr. Whist supplies an address on Madison Avenue. The doorman at the address knows nothing of such an organization: it's a residential building. During a second interview, Mr. Whist concedes that the New York Society's office is "a chair in my apartment."

Mr. Whist also has a chair at Philip Morris, where he has worked since 1966. He now serves as senior vice president for external affairs, in which capacity, the company says, he advises it on international trade issues. Mr. Callahan also works at Philip Morris, right under Mr. Whist in the external affairs department. The New York Society intern who went to Costa Rica? She, too, works at Philip Morris. And that shadowy figure on the Costa Rica trip was Ed Beauchemin, a high-profile Philip Morris lobbyist in Austin, Texas. Two Texas state legislators also made the trip.

### Philip Morris's Contributions

Mr. Whist rejects the suggestion that the New York Society's trips are thinly veiled tobacco junkets. "I have never spoken or lobbied about tobacco on the trips," he says. "There's a great wall," he maintains, between his international charitable activities and his Philip Morris duties. But he declines to disclose anything about the group's funding and claims to have "thousands" of private sponsors. A spokeswoman for Philip Morris also declines to divulge the company's contributions.

Mr. Whist acknowledges that Philip Morris was responsible for most of the $370,000 in 1996 contributions the society reported on tax records on file at the New York Attorney General's office, and says the company has also given in previous years. Philip Morris has also been a top contributor to the Council of State Governments and the National Governors Association.

Most of the legislators who have traveled on the New York Society's dime say they didn't ask questions about who was funding their trips; they assumed it was the CSG or the NGA. When questions were raised by the Milwaukee Journal Sentinel last week about three trips sponsored by Mr. Whist taken by Wisconsin Gov. Tommy Thompson, the governor said he knew nothing of a Philip Morris connection and that he might not have gone if he did. Kentucky's Speaker of the House, Jody Richards, who traveled to Spain, Belgium and Costa Rica with Mr. Whist, also says that he knew nothing about the funding. "My invitation came from the CSG. So far as I know, it was their show," Mr. Richards says.

Even the New York Society's titular chairman, former Sen. Charles Mathias of Maryland, says he isn't "specifically" certain about the group's funding. "I'd pass on that question," he says. Mississippi's Mr. Williams says he knew that Mr. Whist worked at Philip Morris, though he views the trips as being sponsored by CSG.

### Marlboros in Goblets

A few travelers on the Costa Rica trip did take notice of the ubiquitous cigars and cigarettes. At most dinners, Marlboros were displayed in crystal goblets and fine cigars were given out during the 10-course dinners.

Joyce Brinkman, Indiana's state treasurer, says all the smoking "bothered my nose. I am a nonsmoker and not happy about being around smoke." State Sen. Manny Aragon of New Mexico, who is a smoker, concedes, "I may have smoked one or two of those Marlboros."

Back in Mississippi, Mr. Moore regards as "disturbing" the trips that Mr. Williams and Kirk Fordice, the Republican governor who tried to block Mr. Moore's lawsuit, have taken courtesy of the New York society (Gov. Fordice went on an African trip). Trey Bobinger, an assistant attorney general and spokesman for Mr. Moore, says, "The tobacco industry is continuously working to influence elected officials across this country." He says the industry is "looking for a counterbalance" to Mr. Moore's leadership in the fight against tobacco. Mr. Williams, nonplused, says, "more people die of fat each year than from tobacco."

## Guest List

State officeholders who were guests of the New York Society for International Affairs, June 13-19, in Costa Rica:

- **Rep. Charlie Williams**, Mississippi
- **Rep. Bob Starks**, Florida
- **Rep. Jody Richards**, Kentucky
- **Rep. Steve Gaw**, Missouri
- **Rep. Carol Donovan**, Massachusetts
- **Sen. Manny Aragon**, New Mexico
- **Sen. David Cain**, Texas
- **Sen. Kenneth McClintock**, Puerto Rico
- **Sen. Ray Powers**, Colorado
- **Sen. Jeff Wells**, Colorado
- **Sen. Jeff Wentworth**, Texas
- **Lt. Gov. Olene Walker**, Utah

THE WALL STREET JOURNAL
MONDAY, AUGUST 4, 1997

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We have to get to the bottom of this
BC

# Raid leaves neighbors edgy

With two Palestinian suspects in custody in an alleged bombing plot, tensions between Jewish and Arab residents in Brooklyn have increased.

By Scott Bowles
USA TODAY

NEW YORK

Darron Harari hasn't been outside his Brooklyn tenement 10 minutes when a car pulls up to the curb, stops and honks twice.

"Is this where it happened?" the driver says, leaning toward the open passenger window.

"Yep, over there," Harari says tiredly, jerking a thumb over his shoulder. "Where all the television trucks are."

The driver pulls away, but not before calling out, "I wouldn't be standing around outside in this neighborhood."

So it's gone for the past three days for Harari and many residents of Park Slope, the neighborhood where police Thursday shot and arrested two Palestinians suspected in an alleged suicide-bombing plot to attack subways here.

Harari, who lives just a half block down from the site, has been peppered with questions about the shoot-out, his elusive neighbors and the crude black-powder bombs that investigators say they took from the Fourth Street apartment.

Harari has grown used to the questions. But not to the incident that sparked them.

"I saw those guys all over the neighborhood," Harari says of suspects Gazi Ibrahim Abu Mezer and Lafi Khalil. "It's kind of frightening."

Some Jewish residents say they feel a heightened sense of fear of terrorist threats, even in their own neighborhood. Arab-Americans say they worry about a backlash against them.

It's a tension New York can ill afford. More than half the city's residents are either from foreign countries or are the children of immigrants.

On Sunday, Abed Rahman said he felt his first brush with racial resentment since the raid.

The Brooklyn car service driver was flagged down by an elderly white man as he was returning to his garage.

"When he saw my face, he waved me on," Rahman, an Arab-American, says. "Maybe he just changed his mind about needing a ride. But I think it's because I was driving."

Tom Agby, another Fourth Street resident, says that neighbors "haven't seemed as social this weekend. Especially with some of the Arab neighbors. Maybe they think we knew them, or knew what was going on in the apartment."

**Stunned:** Nelson Gonzalez, owner of Nelson's Deli and Grocery, used to sell coffee and magazines to one of the suspects.

Agby feels tensions will ease once people "realize that what happened had to do with a few nuts, not a whole country. No one here liked what happened, Jew or Arab."

Residents say Abu Mezer was a neighborhood regular, seemingly always on one of the neighborhood pay telephones.

Abu Mezer's run-down flat sits behind Nelson's Deli and Grocery, and owner Nelson Gonzalez says he could set his clock by Mezer's daily 8 a.m. visits. Mezer would buy two hot teas and a coffee, then stop at the magazine rack to browse through porn magazines.

"He was one of my best customers," Gonzalez says. "When I tried to come in and open my store (on Thursday) and they told me there were a bunch of bombs in his apartment, I nearly had a heart attack."

Several residents and commuters remain edgy, particularly around the Atlantic Avenue subway station, which one of the suspects told investigators was an intended target.

"I used to think that the Trade Center bombing was just a fluke thing," Manhattan resident Elba Townsend says. "Then there was Oklahoma City. Now this. I have to take these trains to work every day, but I'll tell you something. If I see police running to the trains, I'm turning right around, going home and calling in sick. This is getting ridiculous."

# INS under fire after foiled attack

By Haya El Nasser
and Maria Puente
USA TODAY

New York Mayor Rudy Giuliani continued to blast immigration officials Sunday for letting one of two suspects in the plot to bomb a New York subway stay in the United States even though he had been accused of terrorism in Israel.

"Pure administrative gobbledygook," Giuliani said of immigration policies that allowed the suspect "to roam the U.S." while awaiting deportation. "If someone is accused of being a terrorist, put them in jail until you determine whether it's true or not."

But officials with the Immigration and Naturalization Service say illegal immigrants can't be jailed merely on the basis of nationality or a claim that they might be involved in terrorism. Thousands are ordered deported every year, but relatively few are jailed.

Investigators still were searching for clues into whether Gazi Ibrahim Abu Mezer, 23, and Lafi Khalil, 22, were acting alone or with a Middle East terrorist group. National security adviser Sandy Berger said Sunday on CBS's *Face the Nation* that there is no evidence so far of a connection.

Investigators say the two Palestinians were hours away from a suicide bombing at a busy New York subway station when police raided their apartment Thursday and shot them. They were in stable but guarded condition Sunday.

Both suspects were here illegally. Khalil came last November on a six-month tourist visa but stayed after it expired.

Abu Mezer had had refugee status in Canada since 1993. He tried three times to get into the USA. On Jan. 14, his third attempt, he was caught by the U.S. Border Patrol in Bellingham, Wash. Canada revoked refugee status because of his attempts to sneak into the USA and because of a 1994 arrest in Toronto for using a stolen credit card and assault.

Abu Mezer was jailed in Seattle. On Jan. 28, the INS began deportation proceedings. On Feb. 6, an immigration judge reduced bond from $15,000 to $5,000. He paid and was released. At an April 7 hearing, he asked for political asylum. Another hearing was set for Jan. 20, 1998.

On June 12, Abu Mezer applied for asylum. He stated that he had been arrested in Israel and accused of being a terrorist. On June 23, he withdrew his asylum request and agreed to leave. A judge gave him the usual 60 days to do so.

Arab-American leaders worry about Giuliani's call for tougher immigration policies.

"The upshot of that is that we should defer to Israel in terms of who's a terrorist," says Sam Husseini, with the American-Arab Anti-Discrimination Committee. "That means anybody who's looked at an Israeli soldier the wrong way in the last 15 years . . . and virtually anybody who's a political dissident."

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we need to
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# For one Mont. family, a painful link

## Hard-hit county's residents playing a nervous numbers game

By Richard Price
USA TODAY

WHITE WATER SPRINGS, Mont. — It could have been a bad gene. Or it might have been one of the pesticides they used out on the ranch. Or maybe, it was just coincidence.

But now, the Mayn family can't help but wonder if the thyroid problems plaguing them for the past decade are somehow related to something that fell out of the Big Sky that gave this state its nickname.

On Friday, the National Cancer Institute disclosed that fallout from atomic bomb testing in Nevada during the 1950s and early 1960s exposed hundreds of thousands of people to doses of iodine 131 that have been linked to higher risks of thyroid problems, including cancer.

And of all the counties where it rained radioactive iodine, this county — Meagher (pronounced MAR) — took the heaviest hit: 15.8 rads.

"I'm mad as hell," says Deryl Mayn, firing off her opinion over breakfast Sunday down at the Happy Days Cafe. She's Meagher County's justice of the peace and her family's 61-year-old matriarch. "It took the government 40 years to figure this out? What else are they doing?"

Questions like those have been flying around this 2,000-person county all weekend, and the county commissioners plan to discuss it this week.

"This sort of gives me a sinking feeling in my stomach," says Commissioner Jamie Doggett, who told the *Great Falls Tribune* that she planned to ask medical authorities to measure the health impact.

So far, no numbers have been available on thyroid cancer. Sam Sperry of the state Department of Public Health and Human Services said he'll examine the data from the tumor registry, but cautioned, "it's difficult, from a statistical perspective, to make determinations" because the counties are so small.

"One of the important roles we can play is to put this in perspective," added Carl Shonk, a radiation oncologist in Great Falls. "There is no plague or epidemic."

Still, adults here have been engaged in a nervous mathematics exercise. The main group at risk are people who were under age 20 during the fallout years, which means they're now between 39 and 69.

"Never thought being too old would be good for my health," laughs Sam Raley, who's 77.

But Mary Walter, a high school custodian, looks nervous. She's 39 — and just started thyroid medication.

Frances Anhorn is 59 and figures, "I'm probably going to be OK." But she's upset about her daughter, Pansy Gallatine, who's 40 and was diagnosed with thyroid problems a few months ago.

No one has been hit harder than the Mayns. Both of Deryl's sisters had thyroid surgery. One was in her early 70s, the other 67. Now Deryl, at 61, has an enlarged thyroid.

And Deryl's son, John, 42, was desperately ill for seven years before doctors discovered his thyroid wasn't working at all.

It was a long nightmare for John, his wife, Melissa, and their seven children ages 17 to 25. He grew fat and listless. His speech slowed to a crawl. He couldn't think clearly.

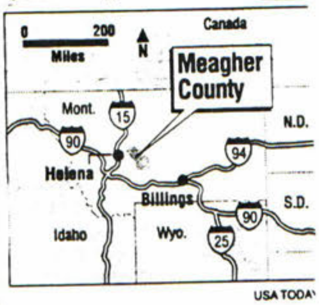
"I felt like I was losing my mind," he says. "I used to ride horses in the rodeo, and I decided I must got kicked real bad."

But in 1994, a Helena, Mont., neurologist discovered that John's thyroid functions were impaired. "He put him on medication, and the change was amazing," says Melissa.

Now, the Mayns are wondering if all the thyroid problems started back on the family ranch, when they used to drink unpasteurized milk from the two dairy cows. Iodine 131 was passed to the body through milk, after cows ate contaminated grass.

They don't know for sure, and they want the government to find out.

Says Deryl Mayn, "It took them 40 years to tell us about the iodine. I just hope that if something else fell out of the sky that may be giving us cancer, the government doesn't take 40 years telling us that."




## Most exposure

More than 231,000 people who lived in 23 counties, 15 of them in Montana, were exposed to at least 9 rads of radioactive iodine from nuclear tests in the 1950s and early 1960s. (A rad is a measure of exposure to radioactivity. A standard chest X-ray imparts 0.02 of a rad.) The counties, 1954 populations:

| County/state | Rads | 1954 pop. |
|---|---|---|
| Meagher, Mont. | 15.8 | 2,300 |
| Custer, Idaho | 15.7 | 3,182 |
| Gem, Idaho | 15.4 | 8,899 |
| Blaine, Idaho | 13.4 | 5,050 |
| Lemhi, Idaho | 13.0 | 6,082 |
| Broadwater, Mont. | 11.5 | 2,875 |
| Beaverhead, Mont. | 11.4 | 6,891 |
| Jefferson, Mont. | 11.3 | 4,133 |
| Powell, Mont. | 11.1 | 6,597 |
| Judith Basin, Mont. | 10.9 | 3,148 |
| Madison, Mont. | 10.7 | 5,666 |
| Fergus, Mont. | 10.1 | 14,018 |
| Washington, Utah[1] | 10.1 | 10,019 |
| Haakon, S.D. | 9.9 | 3,224 |
| Gallatin, Mont. | 9.8 | 23,661 |
| Idaho, Idaho | 9.4 | 12,322 |
| Petroleum, Mont. | 9.3 | 970 |
| Lewis and Clark, Mont. | 9.2 | 26,013 |
| Blaine, Mont. | 9.1 | 8,334 |
| Gunnison, Colo. | 9.1 | 5,613 |
| Silver Bow, Mont. | 9.1 | 47,589 |
| Chouteau, Mont. | 9.0 | 7,135 |
| Deer Lodge, Mont. | 9.0 | 17,438 |

1 — Weighted average for three sub-county areas

Source: National Cancer Institute. Data analyzed by Barbara Hansen, USA TODAY

USA TODAY · MONDAY, AUGUST 4, 1997

# Fallout study delays criticized

## Officials: Lost time may have increased risk

By Peter Eisler
and Steve Sternberg
USA TODAY

Congress ordered it in 1982. Scientists began work on it in 1983. And in 1990, the National Cancer Institute said preliminary results were just a year away.

But it wasn't until last week that people got a glimpse of the study that revealed where radioactive fallout from atomic bomb tests really went: thousands of miles from the Nevada Test Site, as it turned out, exposing hundreds of thousands of people to enough iodine 131 to notably boost their chances of contracting thyroid disorders, including cancer.

Public health officials, policy makers and activists say the delay may have jeopardized people at risk.

"The government's responsibility is to get the information out as soon as possible — that didn't happen," says Sen. Tom Harkin, D-Iowa. "At best, it's a bureaucratic bungle. It wasn't given as high a priority as it should have been."

Harkin wants Congress to probe the delay and the implications of the data, compiled by the NCI in its county-by-county study of fallout from atomic bomb tests 40 years ago.

His concern has a personal side as well: thyroid cancer killed his brother; his niece had a thyroid tumor removed and Harkin himself had lumps cut off his thyroid.

Officials at NCI say some delay was caused by how long it took to review 100,000 pages of raw data. They also note that scientists had to go overseas to study thyroid cancers tied to the 1986 Chernobyl nuclear reactor accident in the Ukraine — an incident with crucial information.

"Could it have been done faster? In retrospect, I suspect yes," says Richard Klausner, who became NCI director in 1995.

But, "I can't see any evidence that anyone was sitting on this," he adds. "It was the enormity of the data."

Critics aren't satisfied.

Physicians for Social Responsibility and the Military Production Network, a coalition of watchdog groups, want a federal investigation.

"It's criminal that they didn't alert the public as soon as they knew the potential extent of the exposure," says the Military Production Network's Bob Schaeffer. "They need to investigate this."

Public health officials, to a large extent, are scratching their heads.

"We don't understand why the report wasn't released," says Tim O'Leary, of the Association of State and Territorial Health Officials. "We're waiting for it to come out so we can . . . identify the people who may have been adversely affected."

Says Cooper Brown, of the National Committee for Radiation Victims: "Notwithstanding the NCI's inexcusable delay . . . it is now time for positive steps to minimize the damage done by the fallout exposures."

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# Excessive fallout may have affected 230,000

By Steve Sternberg
and Peter Eisler
USA TODAY

More than 230,000 people in 23 counties may have been exposed to doses of fallout so high that they cross the government's threshold for routine testing for thyroid cancer.

No one is suggesting such testing yet. But that's the bottom line of a new National Cancer Institute study.

Last year, the government recommended that anyone exposed to 10 rads or more of radioactive iodine 131 should have their thyroid glands checked regularly by a physician. And the people in the 23 counties in Montana, Idaho, Colorado, Utah and South Dakota were exposed to doses ranging from 9 to 16 rads.

How many of those people, if any, will develop cancer as a result?

No one can say for sure.

"There are no data in humans yet that will give us an accurate measure of risk," says Richard Klausner, director of the NCI, based in Bethesda, Md. "And we don't know whether the only risks are at the very highest levels of exposure."

Still, NCI officials calculate that the atomic bomb tests may cause as many as 10,000 to 75,000 thyroid cancers nationwide, 70% of which have yet to be diagnosed.

Scientists believe the risk persists for 40 years after exposure to iodine 131, and then tapers off.

Thyroid cancer typically strikes adults. But children's growing thyroid glands appear to be particularly sensitive to radioactive iodine, raising their risk of cancer from fallout.

Researchers believe that the radiation fractures a gene, called RET, causing uncontrolled cell growth.

Unlike most other cancers, thyroid cancers grow slowly, which is why the 5-year survival rate is between 90% and 95% for the 15,000 people diagnosed each year. That compares to 87% for prostate cancer, 84% for breast cancer and 61% for cancer of the colon.

Even when thyroid cancer spreads, it grows slowly.

"I've had patients that have had lung metastasizes from thyroid cancer for more than 20 years," says David Becker, a thyroid expert at New York Hospital/Cornell Medical Center. "Patients sometimes live longer than their doctors."

Doctors treat thyroid cancer by removing the diseased tissue and using radioactive iodine to kill any surviving tumor cells. Once the gland is removed, patients take replacement doses of thyroid hormone.

In children, thyroid cancer remains relatively rare — except in Chernobyl in the Ukraine, where the 1986 reactor failure caused hundreds of childhood thyroid tumors in four years. "Until I saw the kids in Chernobyl, I had seen two kids with thyroid cancer in my career," Becker says.

The disaster offers researchers perhaps the "only opportunity" to learn how much iodine 131 it takes to cause cancer, Klausner says.

NCI's estimate of the potential number of thyroid cancer cases from Cold War fallout is drawn largely from studies of the medical uses of iodine 131, which once was used in high doses to treat head lice, enlarged glands and infections.

Many exposed to these doses — from 20 to 500 rads — got cancer.

Says Becker: "That's a lot more than we're talking about now."

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We have to try for this

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# The Outlook

## *FCC May Try to Fix Campaign Financing*

A1

*WASHINGTON*

Any hopes or fears that this summer's campaign-finance hearings will lead to a public outcry for reform can now be put to rest. The hearings shed light on some of the most brazen abuses in the 1996 election. But they failed to generate discernible public interest. According to the new Wall Street Journal/NBC News poll, even the budget talks got better ratings.

| **Tuned Out** | |
|---|---|
| Which one or two of these events have you followed most closely? | |
| The manhunt for Andrew Cunanan | 35% |
| Exploration of Mars | 33 |
| The tobacco settlement | 32 |
| Budget and tax negotiations | 18 |
| Stock market's rise | 13 |
| Senate hearings on campaign fund raising | 11 |

THE WALL STREET JOURNAL/*NBC NEWS* POLL

But if the public doesn't push Congress to overhaul the campaign-finance system, there are three people who just might: the folks in line to become the new Democratic majority on the Federal Communications Commission. And before leaving office this fall, FCC Chairman Reed Hundt plans to hand them a potent political weapon.

**Mr. Hundt has never taken a narrow view of his job. To the rest of the world, the FCC may be an obscure agency dealing in technological arcana. But to Mr. Hundt, it's a fulcrum at the edge of the 21st century. For him it isn't enough just to tell Bill Gates, Rupert Murdoch and John Malone how to manage their business, he has other ideas.**

In the next few weeks, Mr. Hundt and his FCC colleagues plan to issue a "Notice of Inquiry" into the following question: What should be the public-interest obligations of broadcasters in the age of digital television? Earlier this year, the FCC and the taxpayers handed broadcasters an enormous gift: new spectrum licenses worth billions of dollars for broadcasting high-quality digital TV. Now Mr. Hundt wants to explore what the broadcasters should give in return—and free TV time for candidates is at the top of his list. "Making available a sufficient amount of TV time for candidates would address the single greatest contributor to the spiraling cost of running for office," he wrote Congress in April. "Public servants should not be consumed by chasing money to pay for access to public property — the airwaves—to reach the voters."

It would have been better, of course, to lay out the public-interest obligations of broadcasters *before* giving away the digital store. But the commission doesn't share Mr. Hundt's activist agenda. Though three of the five members are nominally Democrats, James Quello has tended to vote with the Republicans on most contentious issues.

That is all about to change. Like Mr. Hundt, Mr. Quello is stepping down. President Clinton has nominated William Kennard, current general counsel of the FCC, to replace the chairman, and New Mexico state regulator Gloria Tristani to replace Mr. Quello. Together with incumbent Susan Ness, they will give Democrats a new working majority. Mr. Hundt hopes GOP nominee Michael Powell, the son of Colin Powell, also will like the free-TV idea.

No one seems to know where Mr. Kennard and Ms. Tristani stand on free TV. President Clinton avoided this issue before the 1996 election. But in March, he called on the FCC to take action. In June, he announced appointment of a commission, headed by political scientist Norman Ornstein and Les Moonves of CBS Entertainment, to help "the FCC decide precisely how free broadcast time can be given to candidates." If the president is sincere, he probably has made sure that Mr. Kennard and Ms. Tristani share his views.

The broadcasters are already counterattacking. In a letter on July 24, they called on Vice President Gore to replace Mr. Ornstein, an advocate of free TV time for candidates. "I can really understand why a poor, defenseless little organization like the National Association of Broadcasters would feel threatened by a big powerful academic like me," Mr. Ornstein replied. (The broadcasters are supporting Mr. Kennard, who used to work for the organization.)

**The broadcasters also showed their legendary lobbying muscle in recent budget negotiations. Under the FCC's terms, they are supposed to give their current analog television spectrum back to the government by the year 2006, once the new digital broadcasts have taken hold. But they managed to win a provision stating that they don't have to give back the old spectrum if they can show that 15% or more of the people in a broadcast area still don't have digital television.**

Moreover, even a reformer like GOP Sen. John McCain, who advocates free TV time, opposes FCC action. "It's a dangerous thing to give that kind of power to any regulatory agency," says the senator, who chairs the Senate Commerce Committee, which oversees FCC action.

If the FCC proceeds, Sen. McCain predicts broadcasters will get Congress to override the agency. The broadcasters, he warns, "are the most powerful organization I've run into." But at least then, members of Congress will have to address the issue head-on. At the moment, they are keeping their heads in the sand.

—ALAN MURRAY

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THE WALL STREET JOURNAL
MONDAY, AUGUST 4, 1997

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him & arrange this
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*Mark Shields*

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# Taxes Well Spent

In 1981, President Ronald Reagan summoned all Americans to stand tall and get tough with the Soviets by doubling the U.S. defense budget. Then he urged each of us, in the national interest, to accept a one-third cut in our personal federal tax bill. Patriotically, most of us did exactly what the commander in chief asked.

If you thought the Gipper's shameless 1981 coddling of voters deserved to retire the trophy for "giant pandering," then you haven't been paying attention to the Republicans' 1997 fulsome flattery of you and me. The normally sensible Sen. Pete Domenici (R-N.M.) publicly tells me I "ought to pay less taxes, ought to keep more" of my money because I "can make better decisions than we [our elected leaders in Washington] can."

Thank you, Sen. Domenici, but I emphatically and sincerely disagree. My federal government does well hundreds of things I want done and which I would not have any idea of how to do by keeping every cent to myself. Because of the taxes we pay, the Great Lakes, the Chesapeake Bay, the Charles River, the Chicago River and the Potomac River are all cleaner, healthier and more alive than they were just a generation ago.

Again, because of our government, 99 percent of the lead has been removed from the air our children breathe. It took public servants, smarter and more savvy than I, to use my tax dollars to do such good.

Who fought and stopped the deadly Ebola virus in Africa? No, it wasn't the miracle of the marketplace. It was the Centers for Disease Control and Prevention, an agency of my national government, happily paid for in part, I hope, with a few bucks from my federal taxes.

Let me tell you a few other things I get from my taxes: the peace of mind that the meat my family eats is clean, that the prescription medicines the doctor recommends are tested and safe, and that the professionals who fly the planes and who control our aircraft are more than qualified. We also, it ought to be mentioned, won the Cold War.

In 1995 the lives of 269 million people were better for their having visited our national parks. Barely 30 years ago, fewer than half of all Americans over the age of 65 had any health coverage. Today, because of Medicare, paid for by taxes, more than 99 percent of senior citizens are covered.

But all that health, education and safety come, according to conservative warnings, with a price tag higher even than that of burdensome taxes: the diminishing of personal freedom.

Conservatives are right. The "freedom" of the powerful without consciences to work 11-year-olds in factories was abolished by the national government. The "freedom" of the private-property owner to refuse to sell a hamburger and a Coke to the young daughter of an African American who had fought for his nation, that "freedom," too, was abolished.

Segregation, like slavery before it, was abolished—not by states' rights, nor by local option or privatization, but by good and decent Americans acting through the instrument of their national government.

Now comes the balanced budget-tax cut compromise, so lavishly trumpeted by the Democratic president and the leadership of the Republican Congress. It is nothing more than an "Incumbent's Protection Act of 1998," which serves well the narrow political interests of both parties.

Since 1980 Democrats have been stung by the charge that theirs was a "tax and spend" party. Now, a Democratic president cosponsors with the GOP a balanced budget and capital-gains tax-cut plan that enables congressional Democrats to shake the "tax-and-spend" tag by voting for a bill that will reserve one-third of the tax cuts for the richest one percent of Americans.

Since taking over the Congress in 1994, Republicans have failed to deliver on their promised "crown jewel," a capital-gains tax cut and the $500-per-child tax credit. To make matters worse, the GOP had been indicted in 1996 for wanting to cut Medicare by $290 billion to finance the tax cuts for its wealthiest backers. Now with Democrats embracing the Medicare cuts, the Republicans' political problem is resolved.

I have a pretty good idea of what our taxes already have bought. My question now is what the Washington leadership is trying to buy with those tax cuts, besides reelection.



The Washington Post
Monday, August 4, 1997

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continue the letters?

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# Leaner Government Keeps Callers on Hold

THE PRESIDENT HAS SEEN
8-4-97

By Frank Greve and Matt Mossman
Knight-Ridder

"In this agency, if you don't respond to outside phone calls, it's punishable by death and dismemberment," explained a helpful bureaucrat. "On the other hand, the government doesn't work in the summertime."

Dilbert couldn't have said it better.

Federal workers these days are, by and large, psyched to serve. They have voice mail and fax-on-demand and more caller options than Detroit has car colors. But you can still go through hell trying to find somebody in Washington to answer a question.

More than 30 million callers last year simply gave up, according to one government estimate. And that's considered an improvement.

To experience what callers endure, two Knight-Ridder reporters put away the press credentials that earn them special treatment. Guided only by information operators, a standard phone directory and the kindness of strangers in the bureaucracy, they started asking questions. Hard questions, but questions government agencies should be able to answer. Fifty of them. In 50 different federal offices. For two weeks.

The experience was like a meandering bus ride across America. There were some amazing people like Sue Ann Connaughton, a Transportation Department statistician in Boston. Connaughton responded definitively—in six minutes—to an inquiry about trends in freight traffic between Laredo, Tex., and Mexico.

And there was the Coast Guardsman, ready on the first 2 a.m. ring to take names and pursue fuel leakers on the Chesapeake Bay, had the caller actually known of any.

But there were some jerks, like the self-important General Accounting Office lawyer who, after ignoring a voice mail message for a week, explained blandly that "if questions are time-sensitive, we rely on callers to call back."

Also unfortunately memorable were three Internal Revenue Service receptionists whose vocabularies consisted of the same three sentences: "How do you spell your name?" "Hold please," and "I have no idea."

The Clinton administration has figured out that treating callers well improves their attitude toward the federal government. Moreover, it's three times more expensive to answer a letter than a phone inquiry, according to experts at the National Performance Review, Vice President Gore's efficiency campaign.

The same administration, however, has downsized by 70,000 the number of clerical workers who used to, among other things, answer phones. In other words, Washington's bureaucrats have bet that voice mail, e-mail, hot lines, personal computers and Web sites would offset the loss of about a third of their support staff.

## Ringing Nonstop

*The federal phone world is so big nobody knows exactly how big it is. Some indicators:*

- Bureaucrats log 500 million minutes of outbound long-distance calls monthly, according to Jim Jones, a government phone executive at the General Services Administration.
- On a busy day, the Social Security Administration fields more than 1.5 million calls.
- The Immigration and Naturalization Service gets about 12 million calls a year.
- The Internal Revenue Service handled 45 million calls in the last fiscal year, and topped that in the first nine months of the current one.
- Overall, federal phone use is growing about 7 percent a year, according to Jones.

Private industry has made much the same wager, but there are two differences. One is that government's complexity more often defies automated answers. Knight-Ridder, for example, asked such data-deep questions as, "Who's the biggest minority dry cleaner in Richmond, Va.?" and "How much federal mass transit aid does Honolulu get?" The range of inquiries to L.L. Bean is narrower.

Also, Washington did something smart companies don't do, according to Daryle Gardner-Bonneau, a human factors engineer at Michigan State University who specializes in voice mail. Many government offices got rid of clerical help before voice mail had replaced the workers. That left many callers with no choices when leaving a message isn't good enough.

In fact, of the 10 Knight-Ridder questions that proved unanswerable, most involved unreturned voice mail messages. Sen. Lauch Faircloth (R-N.C.) is on the case; he introduced a bill last month to require that callers to federal agencies be greeted by live operators.

That's music to the ears of Mike Hancock, a senior Labor Department analyst with a dim view of telephonic innovations.

"Instead of saving time and expediting whatever the inquiry is, voice mail tends to put you in an endless loop where you never get a live voice or the information you're after," Hancock said.

"Menu options rarely work as intended either," he continued. "You spend six or seven minutes on the phone only to discover you're in the wrong place."

So Hancock, after nimbly fielding a question about North Carolina farm laborers, explained that he still does things the old-fashioned way: Jackie McFadden, his shared secretary, fields calls and takes messages. Hancock calls back promptly when he can help.

Of course, getting to the right office is the real trick. To make it easier, Gore's reformers are clarifying listings in the telephone directory's blue government pages for callers in the "let me see" stage.

Progress has been reported. Passport information, for example, a multimillion-call concern, used to hide under the State Department's Bureau of Consular Affairs. Now it's listed straightforwardly, under "P."

But getting answers along lightly trafficked routes is not so easy. Try, for example, to go from the Commerce Department's main number to a listing of U.S. companies cited for anti-Semitic policies in their Middle East operations.

"It isn't a trade statistic," said one baffled voice.

"It isn't our job," said another.

"Leave a message after the beep," advised a bureaucrat who never called back.

"The mailbox of the Office of the Near East is full," stated an unapologetic recorded voice.

It's hard, in the end, to conclude that the service was substandard. Forty of 50 difficult questions got answered, the majority in three calls or less, not counting transfers in the course of a call. Most were answered in three hours, including time waiting for calls back.

In discussing phone service standards, National Performance Review experts said that the best private-sector companies aimed to answer inquiries in one call. They kept callers waiting less than 15 seconds, and always offered live operators as an option to voice mail.

That's hardly realistic for the federal government, however, and the reformers' only suggestion of a government-wide standard is vague and qualitative. It begins: "When Americans reach for their telephone and dial a number, they expect to get an answer."

Don't seek more details on this ringing declaration by calling a Washington, D.C., information operator and asking for the National Performance Review office's phone number. It's not in the book.

The Washington Post

Monday, August 4, 1997

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Sandy

Stories like this make
the Bosnia trip you
discussed this morning
a hard sell —

BC

# Muslims Are Driven Out of Bosnia Homes a Second Time

By MIKE O'CONNOR

KRUSCICA, Bosnia and Herzegovina, Aug. 3 — Hundreds of Bosnian Muslims who had returned to homes they fled in the war have been driven out again, officials said today.

Over the last two weeks, the people of this village, who had been forced to leave by Bosnian Croats in 1993, have been coming back. In the return here and to other local villages and the town of Jajce, the Muslims had experienced a degree of cooperation that surprised not only them but international refugee officials as well.

Today, though, the end of the short success story became clear. By the end of the day, the last of the Muslims had been forced to leave by groups of Croatian thugs.

British peacekeepers in the area for NATO apparently did not directly engage the Croats, in contrast to American peacekeepers in some parts of the zone they control who have helped refugees reclaim their homes.

Under the Dayton peace accord, which ended the war in Bosnia, the Muslims and Croats jointly control one part of the country, and the Bosnian Serbs control the remainder. The accords sought to stabilize the country by guaranteeing that refugees can return to their homes. But in practice, in many areas Bosnian Croats and Muslims have continued to be in conflict.

The logjam that has kept Muslims from returning to their homes in territory controlled by Croats seemed to have been broken two weeks ago, and up to 1,000 Muslims had been allowed to go home in this area. Before that, Croatian political leaders had allowed only small groups of Muslims to return to the areas where Croats are a majority.


The New York Times

Croats have again ousted hundreds of Muslims from Kruscica.

Then with no more explanation than had been given for lifting the barrier, it was closed again three days ago. Hundreds of Croatian men, apparently fortified with beer and clubs, blocked the road that leads to the Muslim villages.

"Muslims must go — they don't have the documents they need," said Ivo Marijanic, a member of the group blocking the road early today. Dozens of men nearby nodded their heads as he spoke.

Mr. Marijanic and others said that while they were making sure that no more Muslims tried to return, friends of theirs were evicting those who had already gone home.

United Nations officials said they were puzzled by both the sudden opening and the just-as-sudden end of cooperation. They said they were taking it as a sign from Bosnian Croat leaders that they must be treated with caution and feel they have been given insufficient consideration.

"Croat politicians can help to implement the peace agreement or they can shut the whole thing down," said a United Nations official, speaking on condition of anonymity.

The men blocking the road this morning were called out by Croatian political leaders, the officials said. Muslims who had returned to this village had been growing increasingly fearful on Saturday as rumors spread. Then on Saturday night, they saw a barn burst into flames in a village across the valley.

On Sunday morning, they saw the headlights of buses, accompanied by the flashing lights on police cars making the rounds to take the resettlers back to a Muslim area.

About the time carloads of rough-looking men began to come up the mountain, people here in Kruscica were being encouraged by Bosnian Croat policemen to get on the bus. The police in Bosnia are generally considered to be tools of politicians.

The Muslim villagers who remained early this morning said they were terrified and confused.

"But only two nights ago the Croat politicians were on TV telling us that we can return here," said Suljo Saric. In the dark, he rummaged through a paper bag and brought out a notebook. "We have all the approvals we need," he said, pointing to notes from recent meetings between local Muslim and Croatian leaders.

The men were divided over strategy. Some thought their position impossible. Others said they were a beachhead and thus had an obligation to hold on. "We cannot stay here now," one said.

"But we must; we are the last ones — we have to hold this place," was the response from lips illuminated only by a glowing cigarette.

Mr. Saric led the men over to a group of British soldiers, who were sent here on Saturday.

NATO has taken the position that soldiers will not protect returning refugees. That job, according to NATO, belongs to the police. But the American soldiers near Brcko, in northeastern Bosnia, have been giving resettling refugees protection for weeks.

The British sergeant in charge of the 20 soldiers near this village was caught in a bind between NATO policy and the need to assist the helpless.

He said his men would remain, "for the time being," and promised that while they were here, there would be no threat to civilian lives.

That assurance, as vague as it was, gave enough support to Mr. Saric and the others. They sent away the bus that had come for them.

But by the end of the day, the remaining Muslims had changed their minds and left.

## Taliban Defeats Rivals In 2 Afghan Clashes

HOSSEIN KOT, Afghanistan, Aug. 3 (Agence France-Presse) — The forces of the Taliban militia in Afghanistan have edged their front lines forward in battles against rival former-Government forces raging north of here.

The militia has regained control of the town of Hossein Kot, about 12 miles north of Kabul, and moved forces into the village of Guldara, a mile northwest of here.

The gains represent the first change in more than a week of deadlock. Taliban fighters were seen pouring more forces into Guldara, backed by artillery, rocket and tank fire from rear positions.

The Taliban militia expressed its willingness to form a multiparty commission to work out a political settlement in Afghanistan, official sources in Islamabad, Pakistan, said today.

Despite the continuing battles, some civilians — hardened by more than 17 years of civil war — continued to harvest wheat in the fertile agricultural area.

But aid sources said most of the valley's populations had fled the area.

The New York Times
MONDAY, AUGUST 4, 1997

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What is the potential application to the federal bills?
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The New York Times
MONDAY, AUGUST 4, 1997



# Both Sides Study Ruling's Wider Effect on Abortion Bans

By KATHARINE Q. SEELYE

WASHINGTON, Aug. 3 — A Federal court ruling last week that threw out Michigan's ban on what critics call "partial-birth abortions" is being hailed by some abortion-rights advocates as a death knell for the proposed Federal ban on the procedure, but it is being shrugged off by abortion foes.

The language in the Michigan statute closely resembles that used by 15 other states and Congress in their proposed bans on the procedure, known medically as intact dilation and extraction.

But abortion opponents say that the Michigan ruling will probably have little effect on the Federal ban because changes the Senate made in May to win the endorsement of the American Medical Association would protect the ban from such constitutional challenges. The ban has been stalled in Congress, anyway, and faces an all-but certain veto by President Clinton.

The Michigan ruling is the first to be handed down that permanently invalidates a ban on "partial-birth abortion." Courts have temporarily blocked the bans in at least six other states. A Federal court permanently struck down Ohio's ban on the procedure in December 1995, but the Ohio legislation did not use the term "partial-birth abortion." That case is awaiting an appellate ruling.

The decision in the Michigan case came on Thursday when Judge Gerald E. Rosen of Federal District Court in Detroit ruled that the state's ban was unconstitutionally vague. He said the Legislature had so loosely defined the procedure that the ban could apply to 85 percent of all abortions performed after the first trimester and thus put an undue burden on women seeking abortions by other methods.

In this type of later-term procedure, the fetus is partly delivered. Then its brains are vacuumed out so that its skull can be collapsed and it can be delivered the rest of the way.

In calling attention to what it has described as the gruesome nature of the procedure, the anti-abortion movement has found one of its most successful political strategies, focusing its arguments on the fetus instead of the woman and winning the votes of numerous lawmakers who generally support abortion rights.

But Louise Melling, the lawyer who argued against the Michigan ban for the American Civil Liberties Union, called the ruling the "death knell" for the nationwide movement banning the abortion procedure and said it should give comfort to lawmakers in state legislatures and Congress who have resisted pressure to vote for such bans. Along with temporary injunctions in other states, she said, the ruling should "help influence the tide" of legislation restricting abortion.

Janet Benshoof, president of the Center for Reproductive Law and Policy, which joined the civil liberties union in fighting the Michigan law, agreed that the decision should bolster the confidence of wavering lawmakers to oppose the bans.

Still, she said, the anti-abortion movement was draining the time and resources of abortion-rights groups over a single procedure — a matter that she said was secondary to that movement's larger goal of outlawing all abortions. So, she said, "This is a defeat for us."

She said abortion foes were not all that upset about the decision because they had sought such bans more to cause trouble than to stop one particular procedure, one that accounts for only a tiny fraction of all abortions. But abortion-rights groups have had to challenge the bans all over the country, she said, and every time a judge issues a ruling, he or she adds legitimacy to the anti-abortion movement's approach.

"It weakens the legal fabric every time we have to go to court," she said. "Judges are loath to strike down statutes passed by the representatives of the people. So they throw sops to them, but those sops chip away at the Constitution."

Douglas Johnson, the chief lobbyist for the National Right to Life Committee, shrugged off the Michigan ruling and said that it would have only "very slight" political ramifications. In his view, the state could have made more effective arguments defending the law. The Michigan ruling may be appealed. Until then, said Paul Long, a spokesman for the Michigan Catholic Conference, it is easy enough to refine the law's language so that it meets Judge Rosen's requirements. "Enough people in our state are appalled that this procedure could take place," Mr. Long said, "that there's broad public support for banning it."

***Restrictions' foes see the war as won; the laws' backers say it was just a skirmish.***

Senator Rick Santorum, the Pennsylvania Republican who led the fight for the ban in the United States Senate, said the Michigan ruling would have little effect on the proposed Federal ban, which has been stalled on Capitol Hill since May. The House passed it on March 20, with five votes more than needed to override President Clinton's promised veto. The Senate passed it on May 20, three votes shy of the necessary votes to override. But the Senate changed the bill's language to win the endorsement of the American Medical Association, which had sought more protection for doctors, and now the bill must be reapproved by the House before it goes to the President. It has been on a back burner while supporters try to round up three more votes in the Senate, although Mr. Johnson said on Friday that no new votes in support of the ban had materialized.

Mr. Santorum said the changes made to appease the doctors had sufficiently insulated the bill so that it already meets the requirements set forth in the Michigan decision. The doctors sought to narrow the definition of the procedure being banned so that they would be protected if, in a conventional abortion, they had to perform what might be considered a "partial-birth" procedure.

"Because of the A.M.A., we have better defined what a 'partial-birth abortion' is," Mr. Santorum said. "It is clear that under the Michigan judge's ruling, our statute meets his standard."

Judge Rosen said in his 88-page opinion that it was not up to him to say whether Mr. Santorum's new language was constitutionally sound, but added that it "would appear to alleviate at least some of the concerns voiced by the physicians."

Still, Ms. Melling of the civil liberties union said that while the medical association's language appeared to protect doctors who were forced by circumstance to perform the banned procedure, the language remains overly broad.

"This language still leaves physicians at risk of performing a 'partial-birth abortion' every time they do a D and E," she said, referring to dilation and extraction, the most common method of abortion after the first trimester.

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*Robert D. Hormats*

# Foreign Policy by Internet

With his call for a minimally regulated, secure and duty-free environment for Internet information flows and electronic commerce, President Clinton will have a profound impact on governance, the openness of societies and the integration of economies around the world. His "Framework for Global Electronic Commerce," unveiled July 1, can become one of his fundamental foreign policy legacies.

The administration's initiative can accelerate a process that will enable hundreds of millions of people to harness the power of the technologies of the emerging global information network: the Internet and the World Wide Web. By pursuing greater openness of economies to flows of information and commerce, it will further integrate national markets. And it will lead to the creation of countless new jobs in an explosion of new technologies and the commerce they will facilitate. The very nature of global production, distribution, sales, advertising and finance will be permanently and radically changed.

The framework confirms the enormous economic and social promise of the Internet while recognizing that government's greatest contribution is to let private individuals and businesses lead the way. The era of big government is not only over. In the case of the Internet, it is deemed by the president to be downright counterproductive. Government's role should be to ensure competition, protect intellectual property and privacy, prevent fraud, foster transparency and facilitate dispute resolution—not to regulate.

But the Internet can only reach its full potential if it can become truly global. The challenge for the United States is to convince other governments of the wisdom of its approach and to persuade them to implement policies consistent with it. The time to do that is now—before regulators who do not understand the unique attributes of the Internet impose excessive regulations and before revenue-hungry governments seek to extract new taxes. Before too long these could become imbeded in national laws and policies, stifling the Internet and its promise.

If successful, the commerce, information and entertainment that flow over the Internet, and the international rules needed to protect intellectual property, ensure privacy and facilitate competition, could form the warp and woof of the fabric that binds societies together in the next century. But this is far from an inevitability. First, these societies must see an interest in weaving that fabric.

One of the greatest obstacles to creating an open global information environment is not so much that governments resist the economic competition it triggers but that they are concerned about the social and political implications of free flows of information and ideas across their borders. How the clash of values created by the Internet is resolved will determine its long-term economic prospects.

For most Americans, living as we do in an open society, it is axiomatic that citizens of all nations, like ourselves, will be better off economically, socially and politically if they have access to the international information, commercial contacts and diversified cultures that the Internet provides. To many countries it is not. The Internet's greatest enemies are government censorship, regulation and taxation. For any number of reasons governments might see fit to abuse their powers in each.

The Internet erodes government control over information. It joins the printing press, radio, television and the fax in the pantheon of technologies of freedom. Of these it is the most dispersed globally and the least controllable. It promotes freedom from government as the most influential source and arbiter of information. It gives citizens access to entertainment or material that governments or private citizens might find offensive, a concern shared by those in the United States, who supported the Communications Decency Act (just struck down by the Supreme Court).

Persuading foreign governments of the virtues of permitting their citizens to be online and connected with millions of people outside their borders through the Internet and Web cannot be done by diplomatic pressure or lofty rhetoric about the virtues of globalization. Moreover, the natural leader in selling the Internet and the virtues of electronic commerce, the United States, is hampered because its dominant position in software and hardware, the deregulated telecommunications sector and world-class entertainment and content makes it suspect in some quarters abroad.

To overcome resistance the United States will need to work with advocates of economic growth and reform in other major countries—particularly businesses, scientists, entrepreneurs and students. Its strongest argument will be that popular support for governments depends heavily on their ability to create jobs and growth. Restrictions on flows of information and electronic commerce are incompatible with that objective. Businesses need real time, online information on changes in tastes, cost of materials, consumers' needs, competitors' prices and financing opportunities abroad. They will need to be connected to the international information infrastructure to participate in the tens of billions of dollars worth of electronic commerce that will take place at the turn of the century. And the foreign investors all nations seek to attract will require connections to global information, the world market and their headquarters.

The United States has taken the initiative in global institutions such as the World Trade Organization and the Organization for Economic Cooperation and Development to set high standards for openness of the Internet, reach agreements to protect copyrights, patents, trademarks and electronic contracts, limits on regulation and pledges to eschew taxation of electronic commerce. It seeks to develop a "uniform commercial code" for electronic commerce similar to that adopted by the American states. If the major nations accept these standards, more and more governments now reluctant to do so will feel compelled to adhere to them or risk falling behind in this economically powerful technology.

By hardening international political, ideological and economic barriers, the Berlin Wall became the most prominent symbol of the Cold War Era. By promoting freer global flows of information, ideas and business, the Internet can become the most prominent symbol of the post-Cold War era.

*The writer is vice chairman of Goldman, Sachs (International).*

The Washington Post

TUESDAY, JULY 29, 1997

THE PRESIDENT HAS SEEN 8-4-97



To J. Winston

J. Winston COS Copied

# Race panel's job: Get people talking

**Deborah Mathis**

■ The seven people who form President Clinton's advisory board on race relations are an impressive group—an acclaimed historian, a lawyer, two former governors, a corporate executive, a labor leader and a pastor.

To boot, the panel has the smart lawyer/educator Judith Winston to run the day-to-day operations of Clinton's initiative, which the White House has named "One America in the 21st Century." Every idea in the White House has a name.

On top of that, the board and executive director have Christopher Edley's rich mind from which to borrow. Edley is a big-picture, big-thinking, energetic man with a law degree from Harvard, where he now teaches law. Edley was the nucleus of Clinton's brain trust on affirmative action.

All of these bright folks are determined to put some meat on Clinton's call to defuse racial tensions and spread the brotherhood gospel. They got going in earnest last week.

I know. Some of you are wondering, What's the big deal? Where's the fire? With no South Central or Crown Heights burning or storming across our TV screens, why open up the race thing now?

What some of these skeptics don't know and what some know but don't want to acknowledge is that race and our perceptions and concept of it underlie so much of what happens in America that we cannot be sure what kind of nation we would be were it not a factor.

We practice racialism—that is, the awareness of race—so reflexively that we ourselves may not even notice the mechanics. Just as we are oblivious to the brain telling the leg to move or the arm to swing or the eyelid to blink, so can we size up *one of them* in a flash.

It comes, sad to say, quite naturally to us Americans, whether black, brown, white, red or yellow skinned. Only the youngest are exempt from this habit, but not for long. In due course, they too will have a profile in mind; a stereotype; an expectation, premised on all the information they've gathered or fed. Including misinformation.

William Winter, who is thoughtful and progressive and who made a lot of Mississippians proud when he served as governor, says hopefully that most Americans make the right choices when given good information. What he wants his fellow board members to concentrate on is dispelling the lies, distortions and misunderstandings that tend to separate one human being from another on account of ethnicity. At Monday's meeting, Winter called for a "massive education effort to eliminate those stereotypes."

Of all the suggestions and possibilities being explored by the advisory panel, Winter's sounds the simplest, but will be, in fact, the hardest row to hoe.

Compare it to one panelist's wish for a federal fund to pay for crisis counselors and conflict resolution experts who would rain upon a city when racial turmoil erupts. This, she said, beats having to scrounge around for help, as so many hot spots have had to do.

Excellent idea.

And Edley's proposal that the group dive into race and education—how each affects the other.

Vital stuff, that.

But where the panel must start is the root of racial conflict. And if we can at least agree that the whole superiority-inferiority tableau is flawed and foolish and that all persons are created equal, then the next issue becomes why they aren't all treated equally, which leads to inside our heads.

Which puts us on Winter's solid ground.

The panel must first take the wraps off the big lies.

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The New York Times
THURSDAY, JULY 31, 1997

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# Economic Scene | Peter Passell

## A report shows how hard it is to break welfare dependency.

WASHINGTON is betting that last year's welfare legislation, mandating a five-year time limit on cash benefits, will end dependence as we know it. And the first signs have been encouraging: the combination of a strong job market and tougher eligibility rules has trimmed the welfare rolls by 800,000 in the last two years.

But a new report from the Manpower Demonstration Research Corporation on Ohio's experiment in keeping teen-age mothers in school suggests there are limits to financial carrots and sticks. It is far from clear that dependency can be reduced to the levels demanded by Congress. And "nobody's planning what to do" with those who are stranded, said Rebecca Blank, director of the Northwestern-University of Chicago Joint Center for Poverty Research.

• • •

Roughly half the long-term welfare recipients started on the rolls as teen-age mothers. So Ohio's decision to create its Learning, Earning and Parenting program in 1989 — and to set it up as a controlled experiment — was hailed as a key test of then-radical approaches to welfare reform. Teen-age mothers lose $62 a month from their average $274 benefit if they fail to attend school. As important, they get a $62 bonus if they stay. Child care and transportation are included.

M.D.R.C., a New York-based nonprofit organization that evaluates social programs, compared outcomes over four years for some 2,000 randomly chosen recipients of the Ohio program in 12 counties against a control group not given bonuses or penalties.

Participants still in school when they were chosen did prove somewhat more likely to earn a high school equivalency degree, or G.E.D., and were also more likely to be employed two years later. But teen-age mothers who had already dropped out of school when they entered the program barely responded to the financial incentives, and both their earnings and rate of degree completion were essentially the same as the control group.

Niculae Asciu

What's more, even the relatively successful teen-agers who entered the program while still in school fared only marginally better than those outside the program. Just 46 percent graduated from high school or received an equivalency degree, compared with 39 percent of the controls.

The program's incentives were toughened in late 1996 to reflect the brave new world of welfare reform: Ohio added both a $200 cash bonus for graduation and stiffer benefit sanctions for nonattendence. Whether this will improve on the program's modest achievements, though, is anyone's guess. "Financial incentives should be part of the mix," concluded Judy Gueron, the president of M.D.R.C., "but there's no easy answer for the dependent population."

Easy or hard, there had better be answers, since the deadline clock is now ticking. And from the Olympian perspective of a statistician, the task of trimming welfare does not seem all that daunting: Daniel McMurrer, Isabel Sawhill and Robert Lerman of the Urban Institute have calculated that the new legislation requires states to push about 140,000 welfare recipients annually into the labor force over the next five years, an addition of just 10 percent to the natural growth of the work force.

But poverty specialists are not all optimistic. A chunk of the welfare population — mostly women felled by bad luck, illness or divorce — leave welfare quickly on their own. A second group can be made employable with training, counseling and financial incentives in a strong job market. A third group, however, is too damaged mentally or physically even for the most desperate employer.

A few months of benefits usually allows the first group to solve its dependence problems. The real hurdle, then, will be to press the second, marginally employable group into school, training or low-end jobs — a plausible goal in the current, low-unemployment economy. "If there's a recession, though," Ms. Sawhill cautioned, "all bets are off."

• • •

Thereafter, though, reformers will enter uncharted territory. Perhaps the hard-core unemployable aren't so hard core. Perhaps some will respond to the deadline by shaping up — or, as Ms. Sawhill suggests, by slipping into the gray economy to live off private charity, petty crime and relatives. "We've been naïve about the sources of income available to the poor," she argued.

Ms. Blank notes that Washington could waive the deadlines, or states could spend money on cases that can't be shoehorned into the Federal quota. This may seem unlikely, she points out, but the option could gain credibility "once there is evidence of children sleeping on the streets."

The more dismal possibility suggested by Senator Daniel Patrick Moynihan, Democrat of New York, during the welfare reform debate is that Americans will learn to ignore a new breed of street people the way they grew accustomed to ignoring the mentally ill homeless. "Sometimes I think we'll tolerate anything if it happens slowly enough," Ms. Sawhill lamented.

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Mignon
No good deed
goes unpunished
BC

# A Dynamic Farewell From a Longtime Rights Leader

The New York Times
TUESDAY, JULY 29, 1997

THE PRESIDENT HAS SEEN
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By KEVIN SACK

ATLANTA, July 28 — He preached and beseeched. He bounced and denounced.

And by the time the Rev. Joseph E. Lowery completed his rhyming, rollicking farewell address as president of the Southern Christian Leadership Conference today, a capacity crowd at the historic Ebenezer Baptist Church had been reminded why Mr. Lowery, a Methodist preacher, is considered one of the civil rights movement's most powerful — and colorful — orators and spokesmen.

In his 40 years with the conference, the group he helped found with his two predecessors, the Rev. Dr. Martin Luther King Jr. and the Rev. Ralph D. Abernathy, Mr. Lowery has thrived as the master of the bon mot. He has battled segregation and discrimination not only with his actions but also with his carefully crafted words.

Mr. Lowery's eyes twinkled impishly today as he, at 75, delivered one witticism after another, always in the singular cadence and idiom of the black church that nurtured him and his movement.

Speaking of the need for black Americans to free themselves from self-hatred and substance abuse, for instance, he offered this Loweryism: "If you can take care of the internal, you can easily take care of the external. Then you can avoid the infernal and latch on to the eternal."

And in defending affirmative action, the cause with which he is most identified these days, he said: "When the government, by public policy, kept you out, the government has a responsibility, by public policy, to bring you in. And it needs to be just as intentional about including you as it was about excluding you."

As president of the Southern Christian Leadership Conference for 20 years, Mr. Lowery has preserved and refocused an organization that grew out of segregationist times that no longer exist. Without Jim Crow as a catalyst for action, he has turned the group's attention to economic issues like affirmative action and minority business development, as well as fighting the explosion of violent crime and AIDS among blacks.

To honor his 40-year career with the organization, the conference has dedicated its annual convention here this week to paying tribute. It did so at a gala on Sunday night that featured a videotaped message from President Clinton, as well as speeches by movement like Coretta Scott King and Andrew J. Young.

Mrs. King, the widow of Dr. King, called Mr. Lowery "a history maker and a soul shaker."

Mr. Young, a former mayor of Atlanta and United States representative at the United Nations, said Mr. Lowery had "kept the torch aglow."

The Rev. Jesse Jackson called Mr. Lowery "an enduring figure" who has been underappreciated. In an apparent reference to Dr. King, Mr. Jackson said there had been "so much focus on the work of Moses as the leader who first broke the line that there was not ever adequate appreciation for Joshua, who organized the subsequent battles."

The primary sponsor of the tribute dinner was Shoney's, the restaurant chain that was sued for racial discrimination in the early 1990's and then signed financial covenants with the conference under pressure from Mr. Lowery. The agreements call on the company to spend nearly $200 million on promoting minority employment and business development.

Mr. Lowery's retirement signals a generational transition for the organization and, by extension, for the civil rights movement as a whole. After his departure, the group will no longer be led by one of the Alabama preachers who came together to fight for the desegregation of buses in Montgomery, and then of public accommodations and polling places around the South.

**Tributes for one of the preachers who led the fight for integration.**

Indeed, the organization seems stymied, at least for now, in searching for a successor. After Mr. Lowery spoke, board officials announced that he had agreed to stay on for 90 days as the search continues.

The group had been scheduled to elect a successor on Wednesday.

Among those who have interviewed for the job, said several officials, are Dr. King's son Martin Luther King 3d, a former county commissioner in Atlanta; Dr. Abernathy's son Ralph David Abernathy 3d, a Georgia state senator; Walter E. Fauntroy, a board member and a former Congressional delegate from the District of Columbia, and Earl T. Shinhoster, a former director of the Atlanta regional office of the National Association for the Advancement of Colored People.

Mr. Lowery said he did not plan to retire from the movement, just the burdens of running the conference.

"I'll be raising hell without having to raise the budget," he said.

The annual budget of $2.5 million supports a staff of about 35 people and 300 chapters and affiliates. In recent years, the organization has been active in bringing attention to the burning of black churches in the South, to negotiating minority business development covenants with Shoney's and the Publix supermarket chain and to starting a gun buy-back program.

Mr. Lowery urged members to "move from the back court of too little action to the front court of a new era of activism."

And he did not let Mr. Clinton's praise prevent him from taking a swipe at the President. After praising Mr. Clinton's eloquence on racial issues — "the boy can tell a story," Mr. Lowery said — he chastised the President for a lack of follow-up.

"He quits right after the opening hymn," Mr. Lowery said, "and never makes it to the benediction."

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# Republicans Expect to Strengthen Hold on Governorships

The Washington Post
THURSDAY, JULY 31, 1997

By David S. Broder
Washington Post Staff Writer

LAS VEGAS, July 30—For a generation, governors' offices around the country have been the main source of policies and leadership for the Democratic Party. But political operatives gathered here for the annual meeting of the National Governors' Association say next year's elections are likely to confirm that this vital political base will belong to the Republicans into the next century.

The GOP holds 32 of the 50 governorships and Iowa Gov. Terry E. Branstad, head of the Republicans' 1998 statehouse campaign, said he hopes that number will increase to 35. His Democratic counterpart, Vermont Gov. Howard Dean, said his goal is to bring the Democrats to parity, but conceded "it will not be easy for us."

The Republican advantage is dramatically greater in the key races. The GOP holds nine of the 10 biggest states—all but Florida—and has strong candidates in every one of them. Florida looks shaky for the Democrats in 1998 and Republicans are favorites in at least six of the other nine.

The governors elected next year will be key players in redistricting the House and state legislatures that will follow the 2000 census and set the battle lines for the next decade. Equally important, they will exert a growing voice in domestic policy, as Washington's effort to balance the budget shifts more and more responsibility to the states. "The debates you will hear in next year's gubernatorial elections will tell you more about the direction of national policy than anything coming out of Capitol Hill," a Democratic strategist said. "We can't afford to lose in that arena."

Over the past quarter-century Democrats have become increasingly dependent on governors' offices for talent and ideas. Jimmy Carter, a former governor of Georgia, gave them their only presidential victory of the 1970s and Michael S. Dukakis, the governor of Massachusetts, made their best showing in the 1980s. Bill Clinton moved from the Arkansas governorship to the White House, running on policies he and other governors of both parties had urged on Washington politicians for years.

But in the first election cycle after Clinton's 1992 victory, Republicans scored dramatic gains in gubernatorial races. They made a net gain of 13 seats in 1993-94 and, operatives in both parties say, are in a strong position to maintain their dominance in the coming contests. A booming economy, combined with lower crime rates and welfare rolls, helps incumbents, and Republicans may have as many as 20 incumbents running, compared with a maximum of six Democrats.

Virginia and New Jersey, won by Republicans in 1993, lead off the new cycle in November. New Jersey Gov. Christine Todd Whitman (R) is the favorite over youthful state Sen. Jim McGreevey (D). A closer race is shaping up in Virginia, where Lt. Gov. Don Beyer (D) faces Attorney General Jim Gilmore (R). Some Democratic operatives agree with their GOP rivals that Gilmore has dominated the early stages of the contest.

Whitman is far from the only Republican to win an upset of an incumbent Democrat last time and emerges now as a strong favorite for a second term. That is the case also with New York Gov. George E. Pataki and Texas Gov. George W. Bush. Pataki may face State Comptroller Carl McCall (D), the highest-ranking black elected official. Texas Land Commissioner Garry Mauro (D) has been targeting a 1998 gubernatorial race for years, but other Democrats have advised him not to embark on a "kamikaze mission," and he has delayed a decision on running against Bush.

The former president's younger son, Jeb Bush, a narrow loser in Florida last time, has a head start for 1998 and will not have to go up against term-limited Gov. Lawton Chiles (D) again. Lt. Gov. Buddy MacKay (D) is the current favorite on his side, but, like Bush, could face a nomination battle.

The best Democratic prospects for big-state gains appear to be in California, Massachusetts and Ohio, where the 1994 winners will not be running.

Term-limited California Gov. Pete Wilson's anointed heir is Attorney Gen. Dan Lungren (R). Lt. Gov. Gray Davis (D) and other possible Lungren challengers are waiting anxiously to see if Sen. Dianne Feinstein (D-Calif.) comes home to try again for the governorship she lost to Wilson in 1990. Lungren rates a narrow early favorite against anyone but Feinstein.

In Massachusetts, Gov. William F. Weld (R) just resigned to fight for Senate confirmation as ambassador to Mexico. He has been succeeded by Lt. Gov. Paul Celluci (R), who has more than a year to entrench himself against the winner of a likely Democratic primary between Rep. Joseph P. Kennedy II and Attorney General Scott Harshbarger. No Kennedy has lost a Bay State primary or general election in the past half-century but some Democratic strategists think Harshbarger might make a stronger race against Celluci.

In Ohio, retiring Gov. George V. Voinovich (R) is favored for the Senate seat left vacant by Democratic Sen. John Glenn's decision to step down. His likely running mate for governor boasts a famous Ohio name, Bob Taft; the secretary of state. Former attorney general Lee Fisher is the likely Democratic opponent. Neither man is a proven campaigner, so the race may be close.

The final three of the Big 10 states are almost certain to stay Republican unless the incumbent unexpectedly steps aside.

Illinois Gov. Jim Edgar (R) has come under pressure from national GOP officials to run against vulnerable Sen. Carol Moseley-Braun (D). But insiders say they will be astonished if his decision, due next month, is not to seek a third term.

Michigan Gov. John Engler (R) has been declared a third-term candidate by no less an authority than his wife, and the only Democrat with statewide campaign experience who has indicated any interest in the race is former senator Donald W. Riegle Jr.

Pennsylvania Gov. Tom Ridge (R) has had a productive first term and Democrats have yet to find a candidate to oppose him.

A number of switches are likely in smaller states. Democrats are targeting Arizona, Minnesota, New Mexico and possibly Connecticut, should Rep. Barbara B. Kennelly (D-Conn.) decide to run against Gov. John G. Rowland (R). Republicans have at least as good prospects in Colorado, Maryland, Nebraska and Nevada.

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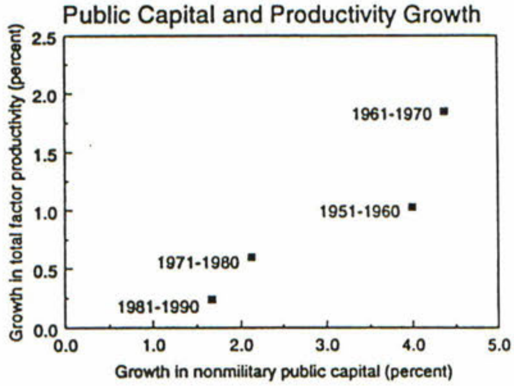
## Public Capital and Productivity: Some New Evidence

Historically, periods that have seen faster growth in the stock of nonmilitary government-owned capital have been associated with higher rates of productivity growth (see chart). Two recent studies confirm the relationship between productivity and government capital, finding a significant effect of "core" infrastructure capital—roads, waterworks, and sewers—on private productivity.

Public Capital and Productivity Growth




The first study analyzes whether greater amounts of infrastructure in a state reduce the cost of production for manufacturing firms located in the state. Estimates differ by region but imply that $1 million in infrastructure investment reduces manufacturing costs by $160,000 to $180,000 in most areas.

The second study estimates productivity differences across cities and relate them to cities' stocks of infrastructure capital. It finds that a 1 percent increase in infrastructure raises output by one-tenth of one percent, with road and highway capital providing much of the benefit.

**Answering the critics.** Virtually all previous research tried to relate a measure of public capital to measures of economic performance such as output or productivity. The new studies seek to address two problems that are associated with this sort of approach. The first is causality. If wealthier communities demand more government spending, then faster productivity and output growth might induce more investment by government, not the other way around. The second is measurement. Previous analyses have had difficulty measuring and controlling for other sources of productivity, such as private capital. The new studies address these problems in different ways and still find relatively significant effects of infrastructure capital on productivity.

**The value of additional public investment.** Studies indicating a positive relationship between public capital and productivity need to be interpreted carefully. For example, the cost of raising funds for public investment might outweigh any realized productivity gains. In addition, if infrastructure investment in one region causes firms to migrate to that region, then this will reduce the investment's overall benefit once the loss of industry in other regions is taken into account.

On the other hand, it is also possible that existing estimates understate the benefits of public capital. For instance, more and better public capital might improve quality of life, and this is not measured in the national accounts. (One of the new studies does attempt to measure the impact of infrastructure on quality of life—but finds little effect.) In addition, more public capital could actually reduce measured GDP. Suppose, for example, that more potholes mean more broken car axles, and thus more expenditures on auto repairs. Then fixing potholes might actually lower GDP.

**Summing up.** On balance, existing research indicates that public capital raises private productivity. However, the benefits from public capital are probably smaller than those implied by the earliest, very optimistic studies. It is worth noting, though, that much of the existing literature deals with traditionally defined investment in physical capital, not public investment in a broader sense (for example, government investment in education). In addition, most current research does not assess the efficiency with which infrastructure is used. One recent cross-country study finds that maintaining infrastructure in good condition has a profound impact on the benefits that obtain from its use. This raises the possibility that small investments in upkeep could potentially generate large rewards.

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# Urban League Urges Black Economic Power

## *Issue Deemed Next Frontier in Civil Rights*

By Brian Mooar
Washington Post Staff Writer

National Urban League President Hugh B. Price called last night for better marketplace opportunities and better public education to promote black economic power, which he called "the final frontier separating African Americans from the American Dream."

In his keynote address before about 3,000 people at the Washington Convention Center, Price sounded the 87th National Conference's theme of economic power as the next frontier of civil rights. Price said that for Americans to live in racial harmony, they must first learn to share "the opportunities we call the American Dream."

"Opportunity is the pathway to power," Price said. "Any society that's truly 'of the people, for the people and by the people' must share its economic bounty with all the people."

Price laid out a three-part formula for black Americans to attain that power: quality, consistent public education; economic opportunity for anyone who plays by society's rules; and compassionate life supports for those who cannot play.

Price called for continued school integration where it is possible and better standards where it is not.

Noting successes in the charter school movement, private-school vouchers and broad staff changes in some school districts, Price issued a warning to public school administrators that "the era of excuses and inertia is over."

"If urban schools as we know them continue to fail in the face of all we know about how to improve them," Price said, "then your customers will be obliged to shop elsewhere for quality education."

Price also called for a more fundamental form of education for black youngsters.

"Let's start by putting a stop to the anti-achievement peer culture in our own community," Price said. "The word among all too many of our youngsters on the street . . . is that doing well academically means acting white. Our children must understand that 'dissing' education is tantamount to signing a death warrant for their dreams."

But even with quality education, Price said, African Americans still face exclusion and glass ceilings in the workplace. He said many small firms operating "below the radar screen of public scrutiny" have been able to skirt federal law because the Equal Employment Opportunity Commission faces nightmarish backlogs in investigating alleged wrongdoing.

"As with the epic struggles over integration and segregation, America again must choose a course," he said. "Our society touts the virtues of entrepreneurship, yet it tosses one obstacle after another in the way of African American entrepreneurs who want to play the game."

Though Price promoted self-reliance, he also called for a humane welfare safety net for those who fall through society's cracks.

Price last night offered the services of the Urban League to President Clinton—who is scheduled to address the group tonight—in fighting the lingering specter of racism in this country.

"Mr. President, improving race relations is what we Urban Leaguers do for a living," Price said. "We're on the same wavelength with you and your Commission on Race Relations. Between the Urban League and our 114 affiliates, collectively we probably have 2,000 years' worth of experience in this business."

District Del. Eleanor Holmes Norton (D) and Mayor Marion Barry, who attended the Urban League conference, seized their brief time at the podium last night to attack the federal aid plan that strips the mayor of most of his remaining power and puts the appointed financial control board in charge of most city government decisions.

Norton characterized the plan as "a shameful act" worthy of a totalitarian regime; Barry told the conferees that "democracy in Washington was raped." Both appealed to Urban League members for their help in regaining District home rule.

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# Budget Deal Creates Health Care Quandary

## *States Must Scramble to Insure More Children*

By Jon Jeter
Washington Post Staff Writer

A1

Call it the devolution dilemma.

The good news is that the five-year budget deal waiting for the president's signature gives states a free hand and $24 billion in new money to extend medical coverage to millions of uninsured children. The bad news: State officials may be unprepared to assume control of the largest expansion in health care services in 30 years.

With relatively few strings attached to the money, the nation's governors say they are eager to begin creating a health care system capable of insuring the estimated 10 million American children without coverage. The loosening of federal restrictions is precisely what governors have lobbied for, both on Capitol Hill and at the White House.

But as state officials learned last year with the overhaul of the nation's 61-year-old welfare system, freedom comes at a cost. The first installment of nearly $5 billion becomes available Oct. 1, which leaves only two months for state officials to largely rework the way they have been delivering medical coverage to the poor for nearly three decades.

"This is the biggest step forward for children's health care coverage since the creation of Medicaid in 1965," said Stan Dorn, health division director for the Children's Defense Fund. "It's a huge amount of money being given to the states with enormous flexibility in how they spend it. So the question now is: Will states do right by their children? It's the ultimate test of devolution."

Paid for by a 15-cent tax on cigarettes, the expanded health care is targeted primarily at the working poor: those children whose parents are too rich to qualify for Medicaid but too poor to afford private insurance entirely out of their own pocket. By focusing on the issue of health care for children, congressional Democrats who first pushed the idea saw in the measure a less ambitious and politically palatable alternative to the universal health care plan that collapsed in President Clinton's first term.

To carry out the goal, state officials have several options from which to choose, including enrolling the uninsured population into the

See HEALTH, A6, Col. 1

HEALTH, From A1

state's existing Medicaid program; the health insurance program for state employees; the health maintenance organization with the largest enrollment in the state; or the federal employees' health benefits plan. States can even use a portion of the money to buy health insurance policies for families or to pay their doctor bills directly.

It's a bold new world for state officials who have for years been shepherded—some say hamstrung—by federal Medicaid guidelines. Under the new law, states will have greater authority to determine eligibility, establish their own reimbursement rates for providers, choose their own contractors and decide which benefits—dental or counseling services, for instance—to include in their plans.

There are some strings attached to the money, which essentially increases the federal portion of Medicaid money to as much as 65 percent and reduces the state's contribution in most cases to about 35 percent. Administration officials and child welfare advocates wanted to ensure that state officials did not simply use new federal money to replace state expenditures on Medicaid, and as a result, the new law requires states to maintain current spending levels on Medicaid.

Advocates for the poor and social policy experts agree with lawmakers that flexibility is essential to ensuring the best coverage. What works in upstate New York may have no impact in Los Angeles, experts and lawmakers generally agree. Michigan officials, for instance, will be able to spend a portion of the money to provide transportation for rural children since a large percentage of the population lives outside urban areas.

"For a child in the Upper Peninsula, getting to the doctor may be the biggest challenge," said Michigan Gov. John Engler (R).

The new law does not penalize states that are unprepared to spend the money when it is doled out Oct. 1. Still, the measure all but mandates a renewed sense of urgency for state officials to quickly come up with a plan to purchase insurance for children, for whom a month's delay can turn an untreated ear infection into permanent hearing loss. The Congressional Budget Office estimates that the additional resources can provide medical coverage for as many as 2.2 million uninsured children annually, while the Children's Defense Fund estimates that number could climb as high as 5 million.

But even with the additional funds in hand, the task is a difficult one.

Already, an estimated 3 million of the nation's 10 million uninsured children are actually eligible for Medicaid but their care givers have not applied for it. A big part of the challenge to the states will be simply getting the word out to families—many of whom are not on welfare and not in contact with government agencies—that medical coverage is available.

Lawmakers were aware of that failure in shaping the new child health care provision and designated a portion of the grant money for states to use on outreach and media campaigns. In the past decade, dozens of states have won federal approval to tinker with their Medicaid programs in an effort to extend medical insurance to more children. States have expanded eligibility requirements, offered varying benefits packages, increased state spending and established outreach programs to promote Medicaid.

In Minnesota, officials recently launched a publicity campaign using a toll-free hot line that allows families to apply for medical benefits by phone, said Dorn of the Children's Defense Fund.

And three states, Florida, Pennsylvania and New York, already have statewide programs to provide medical coverage for uninsured children. The new law allows the states to funnel federal dollars into existing efforts.

Most other states, however, with so little time to prepare, may find it easiest to use the federal funds to enroll more poor children into their state Medicaid programs, state officials say.

"It's a terrific opportunity," said Charlotte Crawford, director of Nevada's Department of Human Resources. "We think that we can double the number of kids that we provide health care coverage to [from about 50,000 now], but we need to get into the new program as quickly as possible. Medicaid may be the quickest way to do that, but even then you basically have to reinvent your state's Medicaid system."

Delaware Gov. Thomas R. Carper (D) said he and his staff will closely scrutinize the new law before deciding which option to choose, but that expanding the state's Medicaid program appears to be the best choice. Through employee health plans and the state's aggressive outreach efforts to enroll eligible children in Medicaid, nearly 90 percent of all children in the state have medical coverage, Carper said.

The funding formula that determines how much states will receive is based on the number of uninsured children in each state. That means a state such as Delaware, which has had some success in providing medical coverage to uninsured children, will get proportionately less than states that have not had much success. Still, Carper said, with the infusion of new federal money, Delaware "should be able to close the gap in the next five years. We might not get all the way to universal coverage, but we can get awfully close."

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# Imagine a Lobbyist Who Won't Play Golf

## Reluctantly, Technology Companies Establish a Presence in Washington

BY DAN CARNEY

WASHINGTON, Aug. 3 — Thomas Gann may be chief lobbyist for **Sun Microsystems**, one of America's most profitable companies. But he spends his days in the back of an unremarkable, mostly undecorated office with a staff of one and a half — a second lobbyist and a secretary they share with another company.

"I've been to some of these other government relations offices," Mr. Gann said. "It's amazing the digs they have, the chauffeurs. My management would think that is crazy."

In a city noted for its lobbying largess — Jack Valenti, the high-profile lobbyist for the motion picture industry, recently questioned the National Journal's methodology when the magazine dropped him to No. 2 on its list of the highest-paid trade association leaders — high-technology companies like Mr. Gann's stand out for their frugality and the ambivalence with which they view Washington.

Their offices are small, with one to three people the norm. Their lack of political contributions has generated a new catch-phrase: "deep pockets, but short arms." Above all, they do not want to be perceived as deigning to play the Washington game.

"We don't do golf," said Michael Maibach, the chief lobbyist for the **Intel** Corporation. "We don't take people to the Kennedy Center." As head of Intel's six-person Washington office, Mr. Maibach does not even have an office; instead, his mark of status, he says with a laugh, is the corner cubicle.

What does interest people like Mr. Gann and Mr. Maibach is a growing list of policy issues being debated in Washington that can profoundly affect their companies. The list has become so long that technology companies are overcoming their long-standing aversion to lobbying.

As did many other Washington lobbyists, Mr. Maibach spent much of last week sweating out the details of the balanced budget proposal and its companion tax cut bill bill as the two measures were given final votes of approval in Congress. He was concerned less with the broad picture than with some small but expensive particulars.

The legislation, as passed, included two items close to Intel's heart: a one-year extension of the corporate tax credit for research and development and another extension of the rule that an employee's college tuition, if paid by an employer, is not taxable as income.

Mr. Maibach was unable to do as well in persuading lawmakers to lift caps on the number of temporary visas issued for highly skilled foreign scientists and engineers. He spent countless hours telling lawmakers that without some relief his company could run into labor shortages this fall, which would put more pressure on it to shift jobs overseas. But no major bills addressed this issue.

Mr. Gann and Jack Krumholtz, the top lobbyist for **Microsoft**, have spent much time trying to persuade the Government to loosen restrictions on exporting hardware and software that can encrypt data. After years of resistance from the Clinton Administration, which fears such technology could impair law enforcement and intelligence efforts, legislation is moving in both houses.

In the tax cut bill, software giants like Microsoft were able to win a break intended to encourage exports. The measure, which is expected to cost the Treasury $1.7 billion in the next decade, would excuse software companies from having to pay tax on a portion of the income earned from licensing their software for production or distribution abroad.

Mr. Krumholtz worked hard to head off a request by regional Bell companies to the Federal Communications Commission that they be allowed to charge per-minute access fees for Internet use.

Mr. Krumholtz and Mr. Maibach, along with lobbyists from **Compaq** and **Apple Computer**, helped persuade the F.C.C. to loosen standards for the devices that will receive the crisp, lifelike images that digital television will provide. The standards, they argued, should not be so narrowly drafted that computer makers would be unable to compete with the consumer electronics industry in manufacturing the devices.

Many of these companies are involved in trade issues, a forthcoming Internet copyright bill and computer privacy issues. The recent joint decision by Microsoft and **Netscape Communications** to set their own standards for privacy was a result of their increasingly sophisticated knowledge of Washington: If they did not set their own standards, the Government would.

Virtually all the leading high-technology companies were involved in the drafting of a recent policy paper by Ira Magaziner, the White House aide, arguing against too much regulation of the Internet. Other than its position on encryption, the paper read like a high-technology wish list, Mr. Maibach said.

Despite all these issues, technology companies have been reluctant to set down roots in Washington.

In some cases, the lobbyists work out of their homes or offices in Washington's suburbs, which, from the perspective of most lobbyists, are only slightly closer than Siberia. Novell is moving its offices to distant Herndon, Va. Even Microsoft, a company with a market value of $200 billion, declined to be near Washington's power centers; its outpost, on the Washington border in Friendship Heights, Md., opened in 1995.

These tentative steps into the lobbying scene represent a significant change, however. Until recently, high-technology companies avoided Washington altogether, viewing the Government as irrelevant, ponderous and unable to comprehend their digital revolution. Aside from older companies like I.B.M., most technology companies have opened offices in only the last two years.

Most technology companies seem intent on keeping activities in the capital low key. They were born far from Washington, both geographically and temperamentally. Unlike telephone companies and broadcasters, they did not grow up under regulation. And they are afraid that Washington's ways could compromise their trademarked independence.

"A sign of our success will be in whether we can keep our offices small," Novell's lobbyist, Dan Burton, said. "If we end up with 40- or 50-person offices here, that will be a sign of failure. That will mean we have been forced into the same boxes that many other people are in."

Such concerns are not shared by other telecommunications industries that are squared off against high-technology companies on key policy issues. **BellSouth**, one of the more politically active regional telephone companies, has a Washington office of 35. The National Association of Broadcasters boasts 165.

Technology companies are also ambivalent about campaign contributions. Most have no political action committees; those that do keep their activities modest. Microsoft donated $49,500 to candidates of both parties in the two years leading up to the Presidential election last November. Intel gave $41,900.

In contrast, during the same period, political action committees associated with **Nynex**, the regional Bell company serving the Northeast, contributed $349,000, according to the Federal Elections Commission. The Center for Responsive Politics says Nynex was the source of an additional $651,602 in "soft money," the unregulated donations that are often used to skirt Federal campaign finance regulations.

**Time Warner** contributed $558,792 through its two political action committees, and $726,250 more in soft money, documents show.

The reluctance of technology companies to open sizable offices — and to some extent their refusal to increase donations — has caused grumblings among various groups.

"I know they grew up in an anti-Government culture, building things in their garages," said Jerry Berman, executive director of the Center for Democracy and Technology, a group pushing to limit Government restrictions on the Internet. "But if their view of the world is that government is clueless, the answer is not staying in Silicon Valley, it's coming here and cluing people in."

In response, Mr. Krumholtz, speaking of the high-technology lobbyists, said: "We're often told we better wake up."

"That may be true," he added, but "we really think we have a whole new approach."

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## Foreign Affairs

THOMAS L. FRIEDMAN

# The Terrorist Question

What do the suicide bombers in Jerusalem and New York City tell us? Something we already knew: There are Palestinian extremist groups that are nourished by terrorism against Jews — and it doesn't matter who's in power in Israel, how active the U.S. is, or whether peace talks are moving or stalled.

The question is how to deal with them. One option is permanent war between the Israeli and Palestinian peoples. But both the Israeli and Palestinian majorities know this is futile. The architects of the Oslo peace had another idea: Build a peace between Israelis and Palestinians that will satisfy the center of each community. You do this not because it will eradicate all terrorism. That's impossible. There will be Palestinian and Israeli extremists who will never reconcile. No, you do this because it creates a better way to diminish terrorism — having the Israeli and Palestinian moderates fighting together against the Israeli and Palestinian extremists.

We were in the process of testing this strategy when Yitzhak Rabin was gunned down by an Israeli fanatic. Ever since then, the Oslo experiment has been slowly eroding, and if this isn't reversed, we are heading back to a war of the Palestinian middle against the Israeli middle — only it will be much worse because now Palestinians have guns. We are heading for Bosnia on the Jordan.

The two men with the most power to halt this slide are Yasir Arafat and Benjamin Netanyahu, and what is really depressing is that neither seems up to the task. Mr. Arafat's leadership has been foolhardy and self-defeating. He has learned nothing from dealing with Israelis. Look at the Hebron deal last year. Mr. Netanyahu, a lifelong advocate of keeping Hebron under Israeli control, relinquished most of it as part of the Oslo deal. Why? Because 75 percent of Israelis wanted Oslo to proceed. And they believed then that Mr. Arafat was making a real security effort. In other words, a weak Mr. Arafat was able to triumph over Likud ideology because he had the leverage of the Israeli public on his side of the table.

So what happens? Immediately after Hebron, Mr. Netanyahu, to restore his right-wing credentials, starts a provocative building project at Har Homa in Jerusalem, and Mr. Arafat, instead of finding other ways to express his disgust, tries to hurt Mr. Netanyahu by turning Palestinian security cooperation on and off. Naturally, the Israeli public sides with Mr. Netanyahu. Mr. Arafat loses all his leverage; peace talks halt. Even though it was Arafat men who helped Israel uncover the Hamas Beit Sahur suicide bomb factory, he opens himself to charges of not doing enough on security because of how he has turned it on and off. He is, and should be, paying a price for his little games.

As for Mr. Netanyahu, his leadership has been incompetent. Yes, he has floated the idea of a Palestinian mini-state in the West Bank and Gaza. But while Mr. Netanyahu has leaked those ideas to the Israeli press, he has never shared them with the Palestinians or developed any realistic strategy for working with Palestinians to achieve his ends. So Palestinians assume his ideas are just a fraud, meant for CNN, and that they are supposed to provide Israel security while Mr. Netanyahu diddles them, or tosses them a concession only when it is politically cost free for him. When the Americans asked Mr. Netanyahu to temporarily freeze building at Har Homa so peace talks could be resumed, he offered to do so over a four-day holiday when there would be no construction anyway — an idea deemed too ridiculous to even pass to the Palestinians.

**The answer's in the middle.**

When Mr. Netanyahu wants to lead, he can. He showed that in Hebron, and just last week he blocked a new provocative building project in Jerusalem. But he usually debases what he has done by placating the ideologues in his party with acts that drive the Palestinians to despair. So the Americans, Palestinians and his coalition partners have all concluded that he is a man with no core and that the person who puts the latest greatest pressure on him gets the most.

It's so revealing that, even with the peace process frozen, the latest Gallup Poll in Israel showed 60 percent of Israelis favoring a demilitarized Palestinian state, and even some sharing of Jerusalem. The Israeli people have a core — they know there is no military solution, and that without the two centers finding a way to cooperate, there's only a future full of yesterdays. It's a shame they have no leaders to show them the way. □

The New York Times

MONDAY, AUGUST 4, 1997

## At Home Abroad

ANTHONY LEWIS

# The Price Of Truth

GUATEMALA

The American press has its problems. Juries award outlandish damages in libel and other legal actions. Government denies us information that should be available. The public does not love us.

True. But how minor those burdens seem — how petty — in a world where working as a journalist risks death. That, among other places, is Latin America.

Over the last 10 years, 173 Latin reporters, photographers, columnists and editors have been murdered. They were not covering wars or something else that might be considered hazardous duty. They were just doing their ordinary job: trying to publish the truth.

The chilling thing about those murders is that almost none of them have been solved. Official corruption, indifference and threats have prevented serious investigations.

That grim record was the subject of an extraordinary conference put on here last week by the Inter-American Press Association. Hundreds of journalists, lawyers, political figures and others met to call for an end to unpunished crimes against journalists.

What made the conference remarkable was testimony about the victims. Widows, colleagues and others told about their lives and deaths.

Jorge Carpio Nicolle, a leading Guatemalan editor, died when 30 hooded men ambushed his car on a remote country road on July 3, 1993. "They asked if he was Jorge Carpio," his widow, Marta Arrivillago de Carpio, said. "Then they shot him. My husband fell in my arms."

Mrs. Carpio, who has taken over as editor of the newspaper El Gráfico, said those who ordered the killing remain unknown. The police official in charge of the investigation was murdered, evidence destroyed — and all this at a time when Jorge Carpio's cousin was President of Guatemala.

Violeta Chamorro, the former President of Nicaragua, spoke of the 1978 murder of her husband, Pedro Joaquín Chamorro, an editor who opposed the Somoza dictatorship. He and the others who died, she said, "could have had a safe life style. But they had a commitment to truth."

Many in the conference hall had suffered experiences that were painful even to hear described. An Argentine editor's 2-year-old son was kidnapped during that country's dirty war, and never found. Irma Flaquer Azurdia, a Guatemalan newspaper columnist, was kidnapped in 1980. Her sister, Anabella Flaquer, told how the family had been warned not to investigate her disappearance. "I have been condemned," she said, "to the torment of not knowing how Irma died."

The focus was on cases from Mexico, Guatemala and Colombia. But others were mentioned, not only in Latin America but in Russia, Algeria, India and elsewhere.

In most cases the suspicion is that government officials or military elements were behind the murders; the victims had often spoken out against official crimes and abuses. In Colombia drug lords targeted the press, and drug traffickers working with corrupt officials seem to be doing the same in Mexico. A Mexican editor, Benjamín Flores González, was machine-gunned to death just three weeks ago.

**Unpunished crimes against Latin journalists.**

It is murder with impunity. To see that is to understand that more is at stake than the lives of journalists. Flagrant killing that goes unpunished rots a society, destroying the people's faith in law.

The purpose of the murders is to send a message — to the press and to all citizens. The message is: Do not disagree with the powerful; do not speak out against evil. Unchallenged, the result would be a silent society, and that is a terrible price to pay. Rosalina Tuyuc Velásquez, a Mayan member of the Guatemalan Congress, said: "A people without information is a dead people."

The spread of democracy in Latin America has not ended the phenomenon of crimes against the press without punishment. Intolerance of free expression remains despite the fall of authoritarian regimes, and so do corrupt or ineffective police and justice systems.

But there is courage, too — courage that moved those coming from the safety of the United States. Latin journalists are prepared to challenge the culture of silence, and their fight matters to more than freedom of the press. Marta Carpio, whose husband died for speaking out, said: "The conference is to bring back trust in life." □

8-4-97

THE WHITE HOUSE

WASHINGTON

July 28, 1997

EB
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Copied
McCurry
COS

MEMORANDUM FOR THE PRESIDENT

FROM : MIKE McCURRY MMc

SUBJECT : PRESS PICNICS

I wanted to bring to your attention that you will not be hosting picnics for the press this year. These are not annual events, but you have held them the past two years.

We are told that the reason you cannot do them this year is that there is not money in the budget. Unlike the Christmas parties for the press which are paid for by the DNC, the press picnics are paid for out of the White House budget.

Given that the press picnics will not take place, I strongly recommend that you attend an informal, off-the-record press gathering during your vacation in Martha's Vineyard.

I do not anticipate that there will be great attention paid to the fact that there will not be press picnics, but I am sure there will be brief articles in a couple of papers - especially when the Congressional picnics occur in September.

Staff Sec

# The Federation of Southern Cooperatives/ Land Assistance Fund

Public Relations and Fundraising Office
2769 Church Street
East Point, GA 30344

'97 AUG 4

8-4-97

Send to Scheduling

Yes ✓

No ____

cc: C.
Elena Kagan

RALPH PAIGE
EXECUTIVE DIRECTOR

TELEPHONE (404) 765-0991
FACSIMILE (404) 765-9178



Rural Training and Research Center
P.O. Box 95
Epes, AL 35460
(205) 652-9676

July 25, 1997

The Honorable Williams J. Clinton
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear Mr. President:

The Federation of Southern Cooper[...] more than a quarter century to organize communi[...]mong 25,000 low income families in over 100 cor[...] of people we serve -- people living in some of th[...] would like to request a meeting with President Cli[...]f the tobacco deal on our members.

As a community based organiza[...]elf-sustaining communi[...]he ultimate v[...] of building [...]d. Tobacco i[...]co to put foo[...] of our societ[...]

Black far[...]ot only ger[...]ic exploitat[...]sed in the ne[...]yet another t[...]ar, internati[...] of the coun[...]er- regulated [...] We need you[...]

Thank y[...]his concern[...]

Request meeting c̄ POTUS to discuss difficulties of Tobacco famers and he idea to develop self sustaining Communities

Cooperatively yours,

Ralph Paige
Executive Director

cc: Bob Nash
Eva Clayton
Jim Clayburn
Sanford Bishop

| Post-it® Fax Note 7671 | Date 7-25 # of pages ▶ 1 |
|---|---|
| To President Clinton | From Ralph Paige |
| Co./Dept. C/O Personal Correspondence | Co. |
| Phone # | Phone # 404-765-0991 |
| Fax # 202-395-4198 | Fax # 404-765-9178 |

Staff BC

# The Federation of Southern Cooperatives/ Land Assistance Fund

Public Relations and Fundraising Office
2769 Church Street
East Point, GA 30344

'97 AUG 4

FSC/LAF

**RALPH PAIGE**
**EXECUTIVE DIRECTOR**

TELEPHONE (404) 765-0991
FACSIMILE (404) 765-9178



July 25, 1997

The Honorable Williams J. Clinton
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear Mr. President:

The Federation of Southern Cooperatives/Land Assistance Fund (FSC/LAF) has worked for more than a quarter century to organize community based cooperative economic development programs among 25,000 low income families in over 100 communities in the rural South. On behalf of the thousands of people we serve -- people living in some of the most depressed rural counties in America -- FSC/LAF would like to request a meeting with President Clinton, at his convenience, to discuss the implications of the tobacco deal on our members.

As a community based organization focused on encouraging the development of self-sustaining communities in the rural South, we are concerned that the rhetoric of the tobacco wars, will overlook the ultimate victims, the tobacco farmers who grow a legal crop. We could like to discuss the possibility of building protections into this agreement that would ensure the vital economic interests are addressed. Tobacco is a main crop to minority farmers all over the South, many of our members depend upon tobacco to put food on the table, educate our children, and maintain the ability to remain a contributing members of our societies, rather than a drain on the limited resources poor communities have to rely on.

Black farmers in the rural South have been in a continuous crisis for the past 50 years. They have faced not only general decline in the farm economy, but also neglect, racial discrimination, and economic exploitation. A viable economic interest in the rural South is tobacco. If such safeguards are not addressed in the negotiations, the lifeblood of many of our members will be stripped away from them, causing yet another tragedy from the "Tobacco Wars." However, at this time, it will not be a multi-million dollar, international tobacco corporations, instead it will be the backbone of many of the poorest communities of the country, the farmers, who grow tobacco to survive in the ever-changing, seemingly already over-regulated agricultural sector. We cannot accept additional Black land loss due to the loss of income. We need your support to protect small Black family farmers during these negotiations.

Thank you for your time in considering this request. We look forward to hearing from you on this concern.

Cooperatively yours,

Ralph Paige

Ralph Paige
Executive Director

cc: Bob Nash
Eva Clayton
Jim Clayburn
Sanford Bishop

| Post-it® Fax Note 7671 | Date 7-25 | # of pages ▶ 1 |
|---|---|---|
| To President Clinton | From Ralph Paige | |
| Co./Dept. C/o Personal Correspondence | Co. | |
| Phone # | Phone # 404-765-0991 | |
| Fax # 202-395-4198 | Fax # 404-765-9178 | |

PATRICK LEAHY
VERMONT

COMMITTEES:
AGRICULTURE, NUTRITION, AND FORESTRY
APPROPRIATIONS
JUDICIARY

# United States Senate

WASHINGTON, DC 20510–4502

8/14/97

Send to C. Walker?

Yes ✓

no ___

(from Podesta)

— C.

July 30, 1997

The Honorable William J. Clinton
The White House
Washington, D.C. 20500

Dear Mr. President:

I have spoken repeatedly this session with regard to the Republican slowdown in consideration and confirmation of your federal judicial nominations. At this writing, the Senate has confirmed only six judges all year--less than one a month. There are seven nominees on the Senate Executive Calendar, seven more pending before the Judiciary Committee after hearings and another 27 nominees who have yet to receive a confirmation hearing this year.

I am working with the Democratic Leader and others to focus increased public attention on the Republican majority's mistreatment of your judicial nominations. I wanted you to know that I continue to work hard on this aspect of your presidential legacy.

Sincerely,

Pat

PATRICK J. LEAHY
United States Senator

I've spoken many times on the Floor about this and will continue. It appears that some in the Republican leadership want you to leave office with over 100 vacancies. This would damage the judiciary in a terrible way. — Pat

VERMONT OFFICES: COURT HOUSE PLAZA, 199 MAIN STREET, BURLINGTON 802/863–2525
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OR DIAL TOLL FREE 1–800/642–3193
SENATOR_LEAHY@LEAHY.SENATE.GOV

# National Council of the Churches of Christ in the USA

'97 AUG 4 PM 4:19

August 1, 1997

Office of the
General Secretary

The President
The White House
Washington, DC 20500

Dear Mr. President:

8-4-97

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were pleased by our country's role in opposing violence and affirming human and religious rights, especially through Section 907 of the Freedom Support Act. We trust that current conversations will not compromise that 1992 legislation. We believe current conditions confirm both the need for such legislation and its value in maintaining an uneasy but successful cessation of hostilities.

With the current heightened interest in oil development, we are especially fearful that issues of religious freedom and human rights for the Armenian community will be overlooked. In a time of increased attention to religious freedom everywhere, using oil development to compromise such important human issues is especially to be avoided.

Insofar as our resources as a wider Christian community can be of use in attending to

475 Riverside Drive • Room 880 • New York, NY 10115-0050 • 212•870•2141 • Fax 212•870•2817

# National Council of the Churches of Christ in the USA

'97 AUG 4 PM 4:15

August 1, 1997

Office of the
General Secretary

The President
The White House
Washington, DC 20500

Dear Mr. President:

On behalf of the leaders of our 33 national church bodies, I write to alert you to our active concern for the well-being of the Armenian Christian community in Azerbaijan, especially in Nagorno-Karabagh.

In your meeting with President Aliyev of Azerbaijan it may be helpful for you to know of the active membership of the Armenian Orthodox Church in the United States in the National Council of Churches. Archbishop Barsamian currently serves as a Vice President and you may recall his presence during our visits with you.

A little more than 18 months ago I led a delegation from our churches on a formal visit to the Catholicos of the Armenian Church in Etchmiadzin. There we came to appreciate first-hand the complexities of national, ethnic and religious relationships. We learned of attacks on Armenian Christians which resulted again in their slaughter, the destruction of villages as recently as five years ago, "ethnic cleansing" and similar tragic violence. We were pleased by our country's role in opposing violence and affirming human and religious rights, especially through Section 907 of the Freedom Support Act. We trust that current conversations will not compromise that 1992 legislation. We believe current conditions confirm both the need for such legislation and its value in maintaining an uneasy but successful cessation of hostilities.

With the current heightened interest in oil development, we are especially fearful that issues of religious freedom and human rights for the Armenian community will be overlooked. In a time of increased attention to religious freedom everywhere, using oil development to compromise such important human issues is especially to be avoided.

Insofar as our resources as a wider Christian community can be of use in attending to

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these concerns, we stand ready to be of assistance to you and to your Administration. I know that these matters will require sustained attention and we want to be of help in any appropriate way. Thank you for giving this your attention. Our Washington Office and its director, The Rev. Dr. Albert M. Pennybacker, will be available as a place of contact.

Gratefully and with warmest regards,

Joan Brown Campbell

(The Rev. Dr.) Joan Brown Campbell
General Secretary

cc: Secretary Madeleine K. Albright
Mr. John Shattuck
The Rev. Dr. Albert M. Pennybacker

'97 AUG 4 AM 11:47

TO: Nancy Hernreich
456-2883

Please destroy previous reply. This is corrected reply.
Thanks

THE PRESIDENT HAS SEEN
8-4-97

Should do thanks letter to them
BC

# Ex-Presidential Endorsement

## *Ford, Carter, Bush Back Campaign Finance Reform*

By Helen Dewar
Washington Post Staff Writer

Former presidents Gerald R. Ford, Jimmy Carter and George Bush have urged enactment of legislation to overhaul the nation's campaign finance laws, including a ban on unregulated "soft money" contributions to political parties by corporations, labor unions and wealthy individuals.

The endorsements provide a prestigious boost to legislative efforts to curb the flow of special interest money into federal campaigns, even though prospects for action this year remain dim.

The blessings from Republicans Ford and Bush, in particular, could be helpful in overcoming strong opposition within GOP ranks to pending legislative proposals, including the soft money ban.

The three former presidents gave their endorsements in letters to former Democratic vice president Walter F. Mondale and ex-Sen. Nancy Kassebaum Baker (R-Kan.), who were tapped earlier this year by President Clinton to lead a national campaign for passage of new campaign finance rules.

None of the three ex-presidents endorsed a specific bill. But their proposals—focusing on more disclosure, stronger enforcement and the soft money ban—are included in broader legislation that Sens. John McCain (R-Ariz.) and Russell Feingold (D-Wis.) are pushing to bring to the Senate floor in September. These proposals are also key features of a House bill being promoted by freshman Reps. Asa Hutchinson (R-Ark.) and Tom Allen (D-Maine).

McCain has been nudging Senate Majority Leader Trent Lott (R-Miss.) to set a date for consideration of the bill after Congress's August recess and is exploring modifications along the lines recommended by the three former presidents in order to nail down enough votes to break a promised filibuster by Republican critics of the bill. If Lott does not schedule the measure, McCain and Feingold plan to force a vote in September, possibly by trying to add it to other legislation.

In his letter, Bush said any legislation should "encourage the broadest possible participation by individuals in financing elections." He urged an end to soft money contributions but also said "this principle should be applied to all groups including labor," apparently signaling support for GOP efforts to curb other forms of political spending by labor unions.

> *Campaign finance reform "will help to restore the confidence of our citizens in their federal government."*
>
> —Former president Gerald R. Ford

"A significant bipartisan effort across party lines can achieve a legislative consensus in campaign reforms that will help to restore the confidence of our citizens in their federal government," said Ford, who said the current campaign financing system was in "serious trouble."

Carter gave the highest priority to banning soft money, but also called for "measures that provide for complete and immediate disclosures of political contributions and expenses."

The Washington Post

FRIDAY, JULY 25, 1997

JIM DORSKIND:

Please coordinate the reply.