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THE WHITE HOUSE

WASHINGTON

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August 4, 1997

MEMORANDUM FOR THE PRESIDENT

FROM : MIKE McCURRY MMC

SUBJECT : INTERVIEW WITH GENE SISKEL

CBS would like to tape an interview with you and the movie reviewer Gene Siskel. Siskel, of "Siskel and Ebert" fame, is a contributor to *CBS Morning News*.

The interview would be on summer movies including your thoughts on "Air Force One" and "Contact". It would last about 10 to 15 minutes and air on *CBS Mornings News* and, possibly, *CBS Evening News with Dan Rather*. You would need to tape it this Thursday.

Rahm and I think this would be a good interview for you to do. It would get wide exposure and is a topic that is of interest to Americans during this heavy movie going season. Erskine and Doug are not in favor of the interview believing that it is not Presidential.

Would you like to do the interview with Siskel or would you like us to regret it?

On a related note, we are also trying to schedule an interview with you and *Bloomberg News Service* to discuss the budget. The interview would take place sometime before you leave for vacation. Everyone thinks this will be an excellent venue to amplify your historic budget agreement.

Thank you.

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Need a list of the
last 10-15 movies I've seen
before I do —
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E. J. Dionne Jr.

Entrepreneurs in the Valley

MENLO PARK, Calif.—They are everywhere in the Silicon Valley: the "business centers" and "office parks" with rows of low glass and cinder block buildings housing companies whose names include jaunty X's ("Mylex," "Plextor," "CMX") or proudly declare their expertise in "systems" of one sort or another.

Inside, the work of the new capitalism is being done, usually in T-shirts or golfing attire. The mostly young men and women here are proud to have broken with the old business culture and treasure being their own bosses. People talk about "nice little start-up companies" with the ease and affection of baseball fans talking about good young shortstops.

There is huge risk-taking going on here, partly, says Ian Morrison, the former president of the Institute for the Future, because the risks don't seem so huge. The systems analysts, engineers and assorted other wonk entrepreneurs know they can contain their losses.

What saves them, explains Morrison, now an author ("The Second Curve") and a consultant, "is not a safety net, it's a safety network."

If you fall, you assume the network of fellow geniuses and start-up whizzes will absorb you. Or you can always go back to one of those big companies, say, Hewlett-Packard or Intel. "Nine times out of 10, you land on your feet again," says Jim Strand of Institutional Venture Partners, which finances start-ups.

The Valley is the pilgrimage site of our time as the place where the future is happening. It's where you learn what's behind the current economic upturn and meet the people creating and taking advantage of it.

The new capitalism owes much to the culture of the 1960s. Critics think the '60s led to the debauchery of sex, drugs and rock 'n' roll. But the decade's most important legacy may have been to transform people's expectations of their work.

Strand says that the wave of start-ups reflects the desire of talented people to get out from under the thumb of "the bureaucratic, large companies." They don't want to be "a vice president and driving a big car around and having a lot of perks." In the big companies, he says using language familiar from the 1960s and 1970s, "They weren't fulfilled, they weren't self-actualized, they weren't happy."

Walk into any of those low buildings—say, at the Mission Park Business Center in Santa Clara—and you learn that many of the new ventures are finding new uses for the Internet. Internet companies don't require huge amounts of investment capital (you don't need to build big machines or big buildings), nor do they demand armies of employees.

Take Benelytics, a company founded by Art Young and Charles Marshall to which Morrison serves as a consultant. Young was once in charge of benefits for Hewlett-Packard, and he and Marshall have what seems like a brilliant idea: Benefits managers, especially at medium-sized companies, constantly need information on the pricing and quality of employee benefits, such as health insurance, child care and 401(K) plans.

They are building a site on the Web that will allow a manager, with a few clicks of the mouse, to figure out the best health plan for employees, given what the firm wants to spend, where its employees live and the like. They have gathered hard-to-find information in one place and built mathematical models that let managers juggle factors they care about.

"We're constantly looking at the Web to see where our competition might come from," says Marshall. Their bet is that potential rivals will have trouble pulling together all the information they have dug up. This will allow them to stay a step ahead. Or so they hope.

The entrepreneurial spirit of the Valley is infectious because it entails both adventure and invention. The Valley slogan might be: Every American an entrepreneur. By the end of my tour, I started thinking of this column as "a nice little start-up" providing "users" (i.e., you the readers) with a "tool kit" for, say, dissecting contemporary problems.

But I was brought back to earth crossing the line into East Palo Alto, a town, Morrison noted, with higher unemployment rates than the rest of the Valley and a large minority population. The question remains: How will more Americans be incorporated into the benefits of this bold new capitalism and its "self-actualizing" possibilities? I fear the answer won't be found on the Net, and it's not a question Washington is doing much about either.

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The Washington Post
TUESDAY, AUGUST 5, 1997

Blacks Face Disparities in Mortgage Loans

Report Finds Rejection Rate Still Double That for Whites Despite Efforts to Close Gap

Associated Press

Mortgage lenders still reject black applicants twice as often as whites, despite a push by regulators since the start of the Clinton administration to toughen enforcement of fair lending rules, according to a government report issued yesterday.

The Federal Financial Institutions Examination Council, a coordinating body for five federal regulatory agencies, released data for 1996 showing that banks, savings institutions, credit unions and mortgage companies turned down 48.8 percent of applications for home purchase loans received from blacks and 24.1 percent from whites.

The denial rates were 34.4 percent for Hispanics, 13.8 percent for Asians and 50.2 percent for American Indians.

This is the seventh year that the data have been released by the council. Over the period, rejection rates for all groups have risen along with Americans' debt levels and bankruptcy rates. But the disparity in rejection rates among race and ethnic groups has remained wide.

Trade associations representing lenders had no immediate comment on the data. In the past, lenders have said the numbers are a flawed measure of fairness because they do not take into account such factors as an applicant's previous indebtedness or credit record.

In the first year for which data was released, 1990, 33.9 percent of blacks were turned down, 14.4 percent of whites, 21.4 percent of Hispanics, 12.9 percent of Asians and 22.4 percent of American Indians.

Disparities persist, even when the data are grouped by income level. Last year, for low-income applicants—defined as those with less than 80 percent of the median income in their areas—the rejection rates were blacks, 44.5 percent; whites, 32.1 percent; Hispanics, 37.5 percent; and Asians, 17 percent.

Rejection rates for applicants with more than 120 percent of the median income were blacks, 20.4 percent; whites, 8.6 percent; Hispanics, 16.7 percent; Asians, 10.6 percent; and American Indians, 16.6 percent.

Allen Fishbein, general counsel of the Washington-based Center for Community Change, which assists nonprofit community groups, said some individual lenders have made great progress in narrowing differences in rejections rates, showing it can be done.

"But the industry as a whole isn't doing as well opening up opportunities for minorities, African Americans in particular," he said. "Some individual lenders are carrying the industry as a whole on their backs and the industry as a whole isn't showing the types of gains that can be made."

Comptroller of the Currency Eugene Ludwig, whose Treasury Department agency regulates nationally chartered banks, pointed out that lending to lower-income households is increasing more quickly than lending to higher-income households.

The number of home purchase loans approved rose 17.7 percent for those with less than 80 percent of median income in their areas and 11.7 percent for those earning 120 percent or more.

However, among ethnic groups, blacks registered the smallest increase in loans in 1996, 3.1 percent. That compares with 8.1 percent for whites, 13.4 percent for Hispanics, 8.2 percent for Asians and 11.4 percent for American Indians. Over the latest four years, though, lending has risen 52.5 percent for blacks, 14 percent for whites, 55.6 percent for Hispanics, 15.3 percent for Asians and 26.6 percent for Americans Indians.

"Some of the data show a need for more detailed analysis," Ludwig said in a statement.

The data covered 14.8 million home-loan applications and were compiled from 9,300 lending institutions.

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WASHINGTON'S HEALTH CARE PRESCRIPTIONS

The Birth of Clintoncare Jr. . . .

By Robert M. Goldberg

Clintoncare is alive and well, living in the budget agreement's $24 billion child health care program. The key to its resurrection has been the silence supporters maintained regarding the details of what will be the biggest new social program since Medicare. With a few honorable exceptions, Republicans, for fear of being tagged as cruel, didn't want to know what was in the plan. If they had looked, they would have found a program cleverly designed to consolidate government control over health care by moving as many middle-class children into federally funded and regulated health programs as quickly as possible.

The new law provides the states $24 billion to set up health insurance programs for five million children. But according to a survey conducted by the Department of Health and Human Service, only 1.3 million children under 18 lack insurance because of its cost. The average cost of a health insurance plan for a child is $900. So over a five-year period, the program should cost only $6 billion.

Luring Children

Why then is the program so expensive? Because, in order to hit the five million figure, a vast amount of money must be spent luring as many children as possible from private health insurance into the new entitlement.

In fact, the Congressional Budget Office estimates that half of all new enrollees will be from families who drop private coverage in favor a federally subsidized entitlement. That's what happened when Medicaid was opened in 1987 to pregnant women and their children with incomes 250% of the poverty level. Between 1988 and 1995 the percentage of children covered by private insurance fell to 64% from 72%. At the same time, the percentage of children covered by Medicaid climbed to 23.1% from 15.5%. Studies have shown that at least three-fourths of the shift was the result of parents dropping private coverage for themselves and their children.

This new program will have the same effect. It prohibits an employer from conditioning or varying contributions to health insurance premiums because of an individual's eligibility for assistance under the new program. But it says nothing about dropping coverage for dependents altogether, or about simply not offering family coverage to new employees.

The key to making an entitlement permanent is to cover the middle class. Thus the new "kid care" plan will be available to every child in families with income of up to $50,000 a year. Children must be uninsured to participate in the program, but the law is written in such a way that even children who lack coverage for a month or so because of a parent's job change can sign up.

Getting the cooperation of powerful health care interests is critical to the program's success. Thus, 15% of the state grant can go to newly created direct services to kids from hospitals and for "administrative costs." In other words, the money will go to well-connected health care consultants and the more powerful health care interests they work with, in order to win their support for any move to managed care that will result from this new program.

What happened in New York state as part of plan to move more Medicaid children into managed care illustrates the value of this giveaway. To get the political support of the nonprofit hospitals and the state's health worker unions, the "savings" from the reform—nearly $1.25 billion over five years—are going to pay for worker retraining and for the cost of hospitals that set up their own managed-care plans. But this new plan has fewer doctors tending to more children than ever before. The phalanx of nonprofit (and often privately funded) community clinics that provide most of the primary care for children in New York City were completely cut out

> *Children must be uninsured to participate in the program, but the law is written in such a way that even children who lack coverage for a month or so because of a parent's job change can sign up.*

of the new plan. Expect more of the same in other states as the special interests fight for feeding space at this new trough of corporate "healthfare."

In pushing for the entitlement, advocates pointed to innovative state health insurance programs for children as examples of what the new money would support. "The basic principles of this proposal are neither novel nor untested," said Sen. Edward Kennedy (D., Mass.). "Fourteen states already have similar programs for children. In Massachusetts, an existing program was expanded last year, so that families up to 400% of the poverty level are now eligible for financial assistance to buy

insurance. In 17 additional states, Blue Cross/Blue Shield offers children's-only coverage, with subsidies for low-income families. These state initiatives provide a solid base on which to build an effective federal-state-private partnership to get the job done for all children."

But in fact these innovative programs, including Massachusetts's, merely served as Potemkin villages that will be torn down to make way for a federal health care complex. Under the new law such low-cost and innovative approaches to care will be illegal. (For political reasons, existing children's health plans in Florida, New York and Pennsylvania were exempted from federal mandates.) Instead, states have to enroll children in either Medicaid, the health plan offered to state employees or the largest health maintenance organization in the state. States can design their own plan, but they have to provide a rich benefits package to get federal money.

States will probably take the relatively easy approach of extending Medicaid or Medicaid managed-care. Hence, the result of the new entitlement will be a relocation of millions of children into expanded Medicaid programs at the expense of parental choice and grass-roots efforts to provide primary care for children.

This might make sense if it would improve children's health. But a close look at clinical studies suggests that health claims for Clintoncare Jr. have been vastly overstated. Advocates argue that the program will reduce reliance on emergency rooms as a regular source of care. But studies show that children on Medicaid or Medicaid managed-care are more likely than anyone else to use emergency rooms for routine care.

Supporters also claim that the new entitlement would lead to healthier babies. But when Medicaid eligibility was extended to pregnant working-class women it produced no improvement in low birth weight or other perinatal problems. Similarly, there is evidence that children in Medicaid-style programs receive care that is decidedly inferior: They are more likely to have asthma and to die from it than any other group. One study found that despite having Medicaid coverage, poor children also were more likely to be hospitalized and less likely to receive effective preventive asthma therapy than children with private insurance were. A National Institutes of Health study shows that children who receive care through Medicaid or public clinics were less likely to get appropriate mental health treatment than those with a private physician.

Clinton's Greatest Legacy

Hence, moving more children into Clintoncare Jr. will have a decidedly limited benefit on their health. But then the real objective of the new entitlement was never healthier children. It was to move as many children into government-run health plans as possible. For once the cash reaches the states, and the bureaucratic apparatus for enrolling children and enforcing federal health mandates is set up, it will be easy to extend the program to their families as well, and to organize the political muscle to make it happen.

During a recent phone-in conference about the new program, Sen. Kennedy crowed that "this is a major step forward" toward national health insurance. So perhaps President Clinton's greatest legacy, after all, will be the enactment of national health care. How ironic that the Republican party, by not raising the same fuss it did in 1994, has made it possible.

Mr. Goldberg is a senior research fellow at the Center for Neuroscience, Medical Progress and Society, George Washington University.

Is this THE WALL STREET JOURNAL
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Clinton May Delay Ruling On the Tobacco Settlement

By a WALL STREET JOURNAL *Staff Reporter*

WASHINGTON – President Clinton isn't likely to give his verdict on the proposed tobacco settlement until he returns from vacation in September, his spokesman says.

Domestic-policy adviser Bruce Reed is leading a White House review of the $368.5 billion settlement between the tobacco industry, state attorneys general and public-health advocates. Mr. Clinton's official recommendation was expected to be ready as early as mid-month, before he leaves Aug. 18 for Martha's Vineyard. But White House spokesman Mike McCurry said yesterday, "If the review is completed before he leaves on his vacation, he may get it, but I don't anticipate him acting on the proposed recommendations until he returns in September."

Because implementing the wide-ranging settlement will require legislation, Mr. Clinton's decision will signal what law he will or won't accept.

ST. JUDE MEDICAL INC.

FDA Approves New Model Of Contour Defibrillator

St. Jude Medical Inc., St. Paul, Minn., said it received Food and Drug Administration approval to market a new model of the Ventritex Contour cardioverter defibrillator as a replacement device. Defibrillators are surgically implanted machines that administer electrical impulses to help regulate heartbeats. St. Jude, a maker of heart devices, said the new Contour model is designed to be compatible with early-generation defibrillators. In composite trading on the New York Stock Exchange, St. Jude fell 81.25 cents to $41.50 a share.

Mortgage Lending Rose Across Ethnic Lines in '96

Dow Jones Newswires

WASHINGTON – Conventional and government-backed mortgages to all racial and ethnic groups rose in 1996 from a year earlier, though blacks and Hispanics were still more likely to be turned down than Asians or whites, regulators said.

The annual report, based on required disclosures by banks of the race and income of home-mortgage applicants, was released yesterday by the Federal Financial Institutions Examination Council, a group of banking regulators.

In 1996, overall home-purchase lending to Hispanics increased 13.4%; to native Americans 11.4%; to Asians 8.2%; to whites 8.1% and to blacks 3.1%, the report said. Conventional mortgage loans – those without government guarantees or insurance – rose 7% to Asians, 6.7% for whites, 6.1% to native Americans and 0.5% for Hispanics in 1996. But such home-purchase loans to blacks decreased by 1.5%.

The report also showed that whites and Asians were denied conventional loans less often than members of the other groups. In 1996, banks rejected 50.2% of native Americans, 48.8% of blacks, 34.4% of Hispanics, 24.1% of whites and 13.8% of Asians who applied for the loans. These denial rates were higher for all groups compared with 1995, the report said, with lenders citing applicants' poor or lack of credit history.

THE WALL STREET JOURNAL
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INDUSTRIES REVISIT GLOBAL WARMING

Some Producers Now Support Curbing Greenhouse Gases

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By WILLIAM K. STEVENS

BONN, Aug. 4 — Early in this decade, as the nations of the world negotiated a treaty to head off man-made global warming, industry lobbyists spoke with virtually one voice on the issue of climate change. They just said no — no to any binding agreement obligating countries to control emissions of heat-trapping greenhouse gases like carbon dioxide, and no to the very idea that there was serious cause for concern.

But times have changed, and the industry stance has changed as well. Though hard-liners still see no need to force anyone to limit emissions of greenhouse gases, a whole new spectrum of industry voices has joined the policy debate as businesses have examined more closely how they might win or lose.

At least one big crack has developed in the once-monolithic front presented by the producers of fossil fuels, like coal and oil, the very people who might be expected to hold out most strongly against any change.

At meetings here, where delegates from around the globe have gathered under the five-year-old treaty, these changes have surfaced as a more widespread willingness to accept the view of mainstream scientists that the problem is real and to take at least some action to solve it.

The heads of several large corporations met with President Clinton in Washington today to discuss the problem. The President has promised a strong American proposal for specific levels of greenhouse gas reductions that is still being drawn up.

In what may be the most telling

Continued on Page A4

Continued From Page A1

change, British Petroleum, the world's third-largest oil company, broke ranks with other fossil fuel producers recently and announced that it believes that there is now enough scientific evidence to warrant concern about whether human activity — primarily the burning of fossil fuels like coal, oil and natural gas — is changing Earth's climate.

The time to contemplate action "is not when the link between greenhouse gases and climate change is conclusively proven, but when the possibility cannot be discounted and is taken seriously," John Browne, the company's chairman, said in a recent speech. British Petroleum, he said, "has reached that point."

Delegates to the meeting here are negotiating reductions in emissions of greenhouse gases. The most important of these is carbon dioxide, which is produced by burning fossil fuels. The negotiations will conclude in Kyoto, Japan, in December.

In the conference rooms, corridors and coffee bars of the Bonn Maritim Hotel, where the talks are taking place, the spectrum of industry opinion runs from hard-liners in the coal and oil industries who want no agreement in Kyoto to companies that produce alternatives to fossil fuels and want strong action immediately. In the middle is a broad group with a range of positions.

The dominant scientific view is that greenhouse gas emissions are probably responsible for at least part of a rise of 1 degree Fahrenheit in the average global temperature over the last century. Mainstream scientists predict that if emissions are not reduced, there will be a further rise of perhaps 3.5 degrees in the next century and more after that, with accompanying disruptions in climate. These include, for instance, more frequent and severe floods and droughts and a rise in the sea level. By comparison, the world has warmed by 5 to 9 degrees since the last ice age.

There is considerable uncertainty in these estimates. Nevertheless, Mr. Browne said in a telephone interview, "it seems to us it's time we should do something" about greenhouse gas emissions. "Just because there are uncertainties," he said, "it doesn't mean you just stand still and do nothing."

In that spirit, the company is formally collaborating with the Environmental Defense Fund, a private group, to test practical, market-based approaches to emission reduction. It is taking steps to control its own emissions and to develop alternative fuels and energy technologies. It is undertaking cooperative efforts to reduce emissions in developing countries. And it has assumed the rotating leadership of a broad Washington-based coalition of industry moderates on climate, many of them multinational companies.

The Clinton Administration is looking to the moderates for support as part of a campaign to win public acceptance of Mr. Clinton's pledge at the United Nations in June to seek strong action in Kyoto. Mr. Browne was one of the chief executives who discussed the subject with the President today.

Mr. Clinton's United Nations speech appears to have infused the climate debate with new zest — and to have increased the lobbying from all points on the industry spectrum.

"The status of industry has dramatically changed," said Dan Esty, who directs the Yale University Center for Environmental Law and Policy, alluding to the period since the climate treaty was negotiated in 1992, when he was a member of the American negotiating team. "There was only one position in '92; today there is a flowering of industry positions." And back then, he said, "you didn't have a major industrial powerhouse like B.P. coming in and saying the time for action is now."

As views have proliferated, so have industry lobbyists. Connie Holmes, a lobbyist for the National Mining Association who opposes any but voluntary action to reduce greenhouse gases, said that when she began lobbying in 1988, there were "maybe three or four people" from industry doing the same. Here in Bonn, there are scores. Mrs. Holmes acknowledges that they consist of "a much broader range of people, a wide spectrum of opinion."

The shift in outlook should not be overstated, though. Mr. Browne, for instance, does not see climate change as a crisis and argues that there is time to head off the problem in a deliberate, step-by-step fashion that balances economic growth and environmental protection. Any targets and timetables for emission reduction, he says, should be realistic and achievable.

Further, industry is virtually unanimous in insisting that developing countries share in emission reductions. Otherwise, it fears, companies in industrialized countries will be at a competitive disadvantage. As of now, the richer countries are obligated under the treaty and subsequent international policy decisions to take the first steps.

Developing countries say those first steps have not been taken, since most of the richer countries have not even been able to fulfill a voluntary pledge under the treaty to stabilize emissions at 1990 levels.

Most companies and industry groups do not go as far in the direction of strong action as does an American organization called the Business Council for Sustainable Energy. Its members include several utilities — whose leaders have found it in their interest to promote energy conservation, which reduces fossil-fuel burning and greenhouse gas emissions — as well producers of solar power, wind power and natural gas. The last, while it is a fossil fuel, is viewed as a preferred alternative in the near term because it produces less carbon dioxide than coal or oil.

This group as a whole stands to benefit from controls on greenhouse emissions since its members put a premium on the more efficient use of energy. Michael Marvin, the group's executive director, said "we've got the technology right now" to produce energy more efficiently. Not surprisingly, his organization favors an early stabilization of greenhouse gas emissions, by 2005, followed by progressive reductions beginning in 2010.

A larger group, the Washington-based International Climate Change Partnership, now under the chairmanship of British Petroleum and including a wide range of industries, accepts the existence of a scientific consensus that some measure of man-made global warming is likely. "We think that appears to be relatively strong," said Kevin J. Fay, the group's executive director.

But, he said, climate change is a highly complex, long-term problem that need not necessarily be attacked with immediate targets and timetables for emission reductions. The Kyoto deadline is an artificial one, he said, adding that it is more important to achieve a lasting solution that allows both environmental protection and economic growth rather than a quick "feel good" result. There are probably many pathways by which the objective of heading off dangerous climatic change can be achieved, he said.

Still another group, consisting of electric utilities and represented by the Edison Electric Institute, is collaborating with the Administration to reduce greenhouse emissions by promoting more efficient use of electricity. This program, the institute says, has already brought significant reductions. All of this is voluntary, and the group favors that approach in any Kyoto agreement. It also is determined to get credit for reductions already achieved as part of such an agreement.

The hard-liners have not changed their position. Several of them are to be found in the Global Climate Coalition, a Washington-based lobbying group representing core energy and manufacturing industries. Gail McDonald, the new president of the coalition, formed zeros with her fingers when asked what her group would like to see happen in Kyoto.

The coalition continues to question the science of global warming. It argues that the impact of climate change is too uncertain and that the risk of economic damage is still too high to justify stronger, mandatory action.

The Administration's present course toward mandatory targets and timetables is "an unjustified rush to judgment," the coalition's chairman, William F. O'Keefe, told Congress recently. He likened it to driving too fast in a thick fog. This, he said, "risks a fatal crash."

The New York Times
TUESDAY, AUGUST 5, 1997

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Beware The Real Agenda

By Douglas J. Besharov

WASHINGTON

Americans have made it clear that they don't want national health insurance. But the five-year, $24 billion provision in the budget bill to finance medical care for two million children is a move in just that direction. And the way this expansion of benefits is designed makes no economic sense.

For every dollar's worth of new coverage, states will wind up spending $1.70. That is because for every 100 uninsured children who enroll in the program, another 70 who now have private insurance are also expected to sign up, according to Congressional Budget Office estimates. Why? Families that now qualify under the plan's expanded income guidelines may stop buying private insurance because government will pay for the children's health care. Or employers will stop offering coverage, knowing that government is now obligated to do so.

The Congressional Budget Office warned about this problem last spring. But in their eagerness to reach a budget deal, Republicans in Congress gave up their initial opposition and voted for the plan anyway.

Throughout the year, as the child health plan worked its way through Congress, Republicans insisted that it be structured in the form of block grants to states. This, they argued, would give states the flexibility to experiment. While some states would have simply expanded Medicaid coverage, most probably would have offered no-frills plans that would have discouraged people with access to private insurance from trying to sign up.

But advocates of national health insurance complained that the block grant approach would let states use the money for other purposes. More important, they claimed, the no-frills approach implicitly condoned "second class" health insurance. Still, they were prepared to settle for whatever expansion in national health coverage they could get.

A new entitlement, poorly designed.

But the political balance shifted in the President's favor, and the Republicans retreated. They agreed to detailed regulations on how states could spend the child health care money. In effect, they agreed to create another entitlement.

For example, each state is required to provide the same benefits for children as Medicaid or large private insurance plans. In many cases, state benefits will be more generous than those private employers offer. Another provision calls for public coverage to be provided to families earning as much as 235 percent of the poverty level, depending on the state. For a family of four, that's almost $38,000 a year.

The inefficiency and high cost of the program may not bother advocates of universal health care; they argue that Americans, especially children, deserve to have coverage. But what they don't acknowledge is that this plan will reduce the market for low-cost insurance used by small businesses and the working poor.

A 1996 study by researchers at the Massachusetts Institute of Technology and Harvard found that previous expansions of Medicaid were responsible for about 17 percent of the decline in the number of children covered by private insurance from 1987 to 1992. That study also reported that as many as half of the children who enrolled in expanded Medicaid plans did so because once they became eligible for those programs, their parents lost coverage at work or decided not to buy insurance.

The more the Government shrinks the insurance market for low-income people, the less economical it becomes for companies to offer them coverage. Companies either abandon the market or raise their prices. Either way, the number of uninsured people increases — and so do calls for more Government involvement.

Maybe that's the real agenda. But it's a long way from here to there, and in the meantime, this plan will do more harm than good. □

Douglas J. Besharov is an American Enterprise Institute resident scholar and a professor at the University of Maryland School of Public Affairs.

The New York Times, TUESDAY, AUGUST 5, 1997

Observer

RUSSELL BAKER

Fanatics, Terror, $6.75

All through "Air Force One" I kept thanking the gods who watch over America for not letting this movie be made before Ronald Reagan left the Oval Office.

It was terrifying to think what Mr. Reagan, who was famous for confusing movies with real life, might have done if he'd felt obliged to live up to standards set by President Harrison Ford.

The physical ordeals overcome by President Ford (Harrison, not Gerald) would require a level of physical fitness found only in the rarest Olympic champion.

Ronald Reagan could never have been the sweet, good-humored President we all loved had he felt obliged to sacrifice his long, refreshing naps and sweat his days away under a personal trainer determined to tighten up the Presidential abs.

President Ford, despite all the bad air and sleepless nights that go with a successful political career, still has the muscle to beat the bejeebers out of a half-dozen diehard-Commie terrorists and the know-how to pump most of them full of complicated-automatic-handgun lead.

He also has the cool, witty savoir-faire, despite these exertions, to tell the head terrorist "Get off my airplane," while tossing him through an open hatch.

And not only that!

This is a President who can take a punch that would break Mike Tyson's jaw. Does he fight back with incisors and canines to his opponent's ear?

How can he? His arms — the Presidential arms! — are tied behind the Presidential back. He is completely at the mercy of his captor, who takes the opportunity to deliver a series of brutal bare-knuckle punches to the jaw — the Presidential jaw!

President Ford the action hero.

Any one of these punches would shatter the jaw of the average President and every bone in the hand of the man who delivered it. Harrison Ford, however, is not your average President.

He has had his old, breakable jaw replaced with a granite implant. Such are the medical miracles available free to politicians entitled to the socialized medicine provided at Walter Reed Hospital.

And a good thing, too, because, pummel that jaw as he will, the terrorist brutalizing the President gets only an impatient glare from Harrison Ford. The expression on the President's face makes us, out there in the audience, grateful that we are not fanatical terrorists. It says, "You're going to regret this, buddy."

Please don't ask if the terrorist has bought a granite fist from Terrorist Supplies and Collectibles Inc., and, if not, why his fist doesn't hurt. Didn't I tell you he's a fanatic? Fanatics don't feel pain.

You may be wondering why Air Force One — the President's plane, not the movie — turns out to be as big as Logan Airport once you get inside. Isn't it obvious? President Ford had it built that way.

"Look," he told the people at Boeing, "one of these days Air Force One is going to be hijacked by terrorist fanatics, and I'll need a lot of nooks and crannies to hide in until I can get rid of them. How about redesigning the thing so it's no bigger than an airplane on the outside but roughly the size of Logan Airport inside?"

The President's know-how about really good hiding places inside Air Force One is only one small part of the great mass of evidence proving that America knew what it was doing when it elected Harrison Ford to be its chief executive.

Though previously tutored only in helicopters, this is a President at ease taking the controls of his 747 jumbo. Sure, fanatical-terrorist-type fighter pilots using air-to-air missiles have shattered its tail assembly, but the plane senses there is a master in the cockpit.

"Feels sluggish," President Ford observes, maneuvering Logan Airport with an aplomb that might turn Chuck Yeager green with envy.

Is there nothing this President can't do? Yes, and how heart-warming it is to see him take out a mobile telephone and immediately turn to an instruction manual on how to use it. Of course, this being President Harrison Ford, it doesn't take him two and a half hours to learn how to get results.

This being President Harrison Ford, he does it in 3.5 seconds. Now that's going too far. It defies belief. □

8-5-97

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THE WHITE HOUSE

WASHINGTON

August 4, 1997

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INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL R. BERGER

SUBJECT: Release of DOD/CIA Khamisiyah Plume Model and Follow-on Articles

I wanted to bring you up to date on some recent Gulf War Illness developments.

On July 24, DOD, CIA and VA held a joint press conference at the Pentagon to announce the results and implications of an extended effort by DOD and CIA to model the gaseous "plume" of low-level chemical warfare (CW) agents released over U.S. troops in Iraq, Kuwait and Saudi Arabia as the result of inadvertent demolition of CW agents in a pit near Khamisiyah, Iraq on March 10, 1991. Most importantly, the analysis: (1) decreases almost to zero the number of troops thought likely to have received acute CW exposure; and (2) for the first time, estimates the number of troops who may have received *low level* CW exposure, defined as exposure below that expected to produce immediate effects but above the limits established as acceptable for the general population. The number of troops potentially subject to this low level CW exposure, which current scientific evidence suggests is unlikely to have long-term health effects, totals 98,910.

During the press conference, the DOD and CIA Special Assistants for Gulf War Illnesses portrayed the modeling effort leading to these new results as part of your Administration's strong commitment to fulfilling your pledge "to leave no stone unturned." Acknowledging problems with their agencies' initial handling of Gulf War illnesses-related issues, they emphasized the extent to which DOD and CIA now were committed to get all the facts out in a timely and open manner. VA concluded the announcement by noting the limited scientific evidence currently available on the health effects of low level CW exposure and described the significant research program underway to help increase our understanding of it, underscoring that clinical care remains available for any veteran who needs it, whether under the plume or not.

There have been two subsequent New York Times articles by Philip Shenon based on issues raised during the Presidential Advisory

cc: Vice President
Chief of Staff

Committee (PAC) panel meeting in Buffalo this week. The July 30th article reported on UN Special Commission (UNSCOM) testimony regarding the presence of CW at Ukhaydir during the war. CIA and DOD have reviewed the data from the UNSCOM survey and have already done some preliminary modeling which indicates that it is unlikely that the nerve agent released as a result of the air campaign bombing of Ukhaydir could have reached U.S. troops. CIA now will confirm the plume analysis with the same models used for the Khamisiyah study, and release the final results as soon as they are available.

In the July 31st article, Shenon describes a draft, highly-classified, MITRE Corporation report commissioned by DOD to review intelligence on Iraqi chemical warfare capabilities. One of the study's conclusions is that U.S. Marine elements conducting a mine breaching operation during the war may have been exposed to chemical warfare agents. This conclusion contradicts a larger DOD investigation of the same incident. Following strong DOD criticism that the analysis of the mine breaching operation was incomplete and flawed, this section was separated from the MITRE report and referred to DOD's Gulf War illnesses organization for consideration and action. Despite Shenon's suggestion of a cover-up, DOD has kept the PAC informed of both the report and its criticisms, and expects the more comprehensive investigation to withstand public scrutiny.

Attachment
Tab A July 24, 1997 Washington Post article (annotated)

THE PRESIDENT HAS SEEN
7-25-97

JUL 25 16:15

The Washington Post
THURSDAY, JULY 24, 1997

A28

Gas Exposure in Gulf War Revised

CIA Computer Model Indicates 100,000 Troops Were Near Nerve Agent

By Dana Priest
Washington Post Staff Writer

Nearly 100,000 U.S. troops were exposed to trace levels of poisonous sarin gas in a plume released when American soldiers unknowingly detonated rockets in Iraq at the end of the Persian Gulf War, five times the number the Defense Department had originally estimated, Pentagon officials said yesterday.

But the concentration of nerve agent that reached those troops was so low that no known health effects are believed to be associated with such a level of exposure, officials said.

The new information, which is to be released today, comes from a CIA computer model of one pit located near an ammunition dump at Khamisiyah in southern Iraq. U.S. troops entered the area days after the war ended to destroy a huge cache of weapons before leaving the country. No one reported unusual illnesses at the time, and there are conflicting reports about whether any of the chemical alarms carried by troops sounded.

The demolition at the pit, which occurred on March 10, 1991, and that of a nearby bunker, are the only confirmed releases of chemical agents during the conflict in the vicinity of troops.

The new data does not by itself answer the question so many Persian Gulf War veterans have, namely whether the collection of symptoms reported by some of them can be linked to chemical exposure. There is no reliable scientific data that shows that a one-time, low-level exposure to sarin would create the sleepiness, memory loss, joint pains and other illnesses afflicting some veterans.

"The answer is not in the plume," said one defense official.

Still, it is a critical piece of information for the dozens of ongoing, government-funded studies into the possible delayed effects of low-level chemical exposure.

The CIA computer model, which combines data and technology from several other agencies and private companies, measured the number of rockets believed to have been denoted, weather conditions, wind patterns, rate at which the chemical would have dissipated and the location of troops.

The model shows that over a three-day period the plume traveled 300 miles over 99,000 troops, most of them from elements of the 18th Airborne Corps and the 7th Corps. The amount they were exposed to is estimated to be between 1 milligram per cubic meter, a level that would immediately cause running noses and watery eyes, and 0.01296 milligram per cubic meter, a level that would not produce any known effects, at the time or later.

An exposure of 100 milligrams is lethal; 35 milligrams is incapacitating.

Defense officials said yesterday that one reason the number of troops is so much larger than they had originally estimated was because the sarin did not dissipate as quickly as had been believed at first. Rather, it was soaked up by the wood crates that held the rockets and by the sand at the site and remained viable for a longer period of time.

Defense scientists came up with the original estimate of 20,000 soldiers by drawing an arbitrary 50 mile radius around Khamisiyah. The department then surveyed those troops, but found no significant increase in reported health problems among the group.

The department is sending out a new questionnaire to survey the 99,000 troops identified by the model and another letter to the previous 20,000 that were previously identified, letting some of them know they were actually not exposed to the plume.

For five years, the Pentagon had steadfastly insisted that no U.S. soldiers had been exposed to chemical weapons in Iraq. In June 1996, it revealed that chemical munitions had been unknowingly destroyed at Khamisiyah. The department has admitted that its efforts to find possible chemical exposures were extremely lax and disorganized, but it has denied it covered up the information, as many veterans advocates allege.

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HONORARY PARTICIPATION REQUEST

Please return to Woyneab Wondwossen, Room 93

Today's Date: July 31, 1997

Date of Request:	7/25/97
Request for:	POTUS/FLOTUS
Type of Request:	Honorary Patrons
Requestor Name:	Mrs. Byron L. Dorgan
Title:	Mrs. Bob Livingston
Address:	National Multiple Sclerosis Society Suite 100 2021 K Street, N.W. Washington, D.C. 20006-1003
Contact Tel. #:	202/296-5363
Event Date:	9/24/97
Event Description:	The Ambassadors Ball
Notes:	The 19th annual Ambassadors Ball welcomes newly assigned Ambassadors to the U.S. and honors the Ambassadorial Corps for its support of charitable programs within the nation's capital. All foreign Ambassadors are invited to attend; and in previous years, over 75% have accepted. Proceeds from the event benefit the National Multiple Sclerosis Society. The group also intends to invite all major officials of the Administration and Congress. Pending his consent, the group will honor Senator Dole with an award for his work on health care. They've asked the President to present this award in person, or to send a video. According to Debi Schiff in the President's office, a decision as to whether the President will attend or send a video has not been confirmed, however the President has said he wants to lend his name. The President and First Lady accepted this request in 1994, 1995, and 1996. The President and First Lady should ACCEPT.
Recommendations:	

MV ________ TS OK

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

Comments:

(9-24-97)
cc: Burkhardt

The Ambassadors Ball

to benefit the National Multiple Sclerosis Society

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Mrs. Bob Livingston

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As of 7/1/97

July 18, 1997

The President of the United States
and Mrs. Clinton
The White House
Washington, DC 20500

My dear Mr. President and Mrs. Clinton:

As Co-Chairs of the 1997 Ambassadors Ball, we are writing to ask that you once again serve as Honorary Patrons of this gala to benefit the National Multiple Sclerosis Society. In addition, Mr. President, we hope that you will agree to give the traditional "Toast to the Diplomatic Corps."

The 1997 Ambassadors Ball will be held on Wednesday, September 24th at the Grand Hyatt Washington. An institution in the Washington area for 19 years, the Ball honors the Ambassadorial Corps for its support of so many charitable activities and humanitarian endeavors that take place in our city. It also allows us to welcome the newly assigned Ambassadors to our nation's capital and to make them feel a part of our political, business and social communities.

We would be delighted if you could join us for all, or part, of the Ambassadors Ball. The festivities will begin with a reception at 7:00 p.m. Dinner will be served at 8:00 p.m. and will be followed by the program, which will begin with a "Toast to the Diplomatic Corps."

Your continuing support of the Ambassadors Ball is very much appreciated. Once again, we would be honored if you could attend; or, if you are unable to attend, to have your Honorary Patronage. We look forward to what promises to be a very exciting evening.

Sincerely,

Kim Dorgan — Bonnie Livingston

Mrs. Byron L. Dorgan
Co-Chair

Mrs. Bob Livingston
Co-Chair

Washington's Traditional Tribute to the Diplomatic Corps

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EYES ONLY

SPECIAL ANALYSIS

New Studies Question Effects of Teen Childbearing

Teen childbearing is thought to contribute to a variety of disadvantages for both the teen mother and her children. However, teen mothers tend to come from very disadvantaged backgrounds. They (and their children) would face many of the same problems had they delayed childbearing to a later age. The challenge for researchers and policy analysts is to determine the contribution of a teen birth *per se* to adverse health, developmental, and economic outcomes—beyond those expected from the disadvantaged circumstances in which the teen mother grew up.

Cause or symptom? Evidence continues to mount that teenage childbearing may be more a symptom of disadvantage than a cause. For example, a new study compares women who became pregnant as teenagers (before age 18) but had a miscarriage with those who had a child. The women who had miscarriages as teenagers did no better with respect to a variety of adult socioeconomic outcomes than those who bore children as teenagers. The authors conclude that many of the negative consequences of teen births are smaller than estimated elsewhere in the literature and are short-lived. Moreover, and surprisingly, those who had children as teenagers accumulated more work experience by their late 20s and had somewhat higher wage rates than those who had miscarriages as teenagers. As a result they earned more—about $7,000 per year. The study also finds that teenage childbearing does not increase the use of public aid over a woman's lifetime but simply shifts it to younger ages.

What about the children? Earlier studies gauged the impact on children of having a teen mother by comparing outcomes between the children of pairs of sisters, one of whom had a birth as a teenager, the other of whom did not. In early childhood, children of teen mothers did no worse on tests of cognitive and emotional development than their first cousins whose mothers had delayed childbearing into their 20s. (Outcomes in later childhood were not available at the time the research was conducted.) Neither did these comparisons of sisters reveal evidence of adverse infant health effects (such as low birth weight). Teen mothers were more likely than their sisters to delay initiation of prenatal care, but less likely to drink alcohol during pregnancy. For whites, but not blacks, teen mothers were more likely than their sisters to smoke during pregnancy. Interestingly, children of teenage mothers did better than their first cousins on several tests of cognitive development.

Conclusion. Teen mothers and their children suffer economically and developmentally. However, new studies raise a flag of caution about attributing their adverse socioeconomic and health outcomes to the teen birth rather than to their mother's disadvantaged circumstances. Very similar women who delay childbearing do not appear to do better than teen moms. Nor do their children. For some outcomes, such as work experience and child development, they may do worse.

Table 1: Effects of Family Structure on High School Dropout Rates and Teen Births

	HS dropout risk (%)	Teen birth (daughters) (%)
Two biological parents	13	11
Single parent due to:		
Divorce	31	33
Death	13	21
Non-marital birth	37	37
Step parent	30	33

Results control for: race, region, number of siblings and education of parents.
Source: Sara S. McLanahan (1994), National Survey of Families and Households.

Table 2: Effects of non-marital first birth (versus marital first birth)

	Difference: Non-marital - Marital First Birth	
	Raw Difference	Sister Difference
Years of schooling completed 1990	-0.8*	-0.1
Family income (1988-90 avg.)	-42%*	-14%
In poverty 1989	28%*	9%*
Married 1990	-50%*	-27%*
Early childhood outcomes (percentile scores):		
Behavior Problems Index	0.3	-5.2
Math score	-6.3*	5.7
Reading score	-2.2	0.2

Controls: age of mother; age and sex of child; year of assessment.
Source: CEA calculations, National Longitudinal Survey of Youth, 1979-1991
*Statistically significant difference.