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THE DUAL

76 J. Winston

THE PRESIDENT HAS SEEN
9-29-97



DONA COOPER HAMILTON and CHARLES V. HAMILTON

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THE DUAL AGENDA



DONA COOPER HAMILTON and CHARLES V. HAMILTON

Power, Conflict, and Democracy Series

Robert Y. Shapiro, Editor

Power, Conflict, and Democracy:

American Politics Into the Twenty-first Century

This series focuses on how the will of the people and the public interest are promoted, encouraged, or thwarted. It aims to question not only the direction American politics will take as it enters the twenty-first century but also the direction American politics has already taken.

The series addresses the role of interest groups and social and political movements; openness in American politics; important developments in institutions such as the executive, legislative, and judicial branches at all levels of government as well as the bureaucracies thus created; the changing behavior of politicians and political parties; the role of public opinion; and the functioning of mass media. Because problems drive politics, the series also examines important policy issues in both domestic and foreign affairs.

The series welcomes all theoretical perspectives, methodologies, and types of evidence that answer important questions about trends in American politics.

Power, Conflict, and Democracy:

American Politics Into the Twenty-First Century

Kelly D. Patterson, *Political Parties and the Maintenance of Liberal Democracy*
John G. Geer, *From Tea Leaves to Opinion Polls: A Theory of Democratic Leadership*

Kim Fridkin Kahn, *The Political Consequences of Being a Woman: How Stereotypes Influence the Conduct and Consequences of Political Campaigns*

Hanes Walton, Jr., *African-American Power and Politics: The Political Context Variable*

The Dual Agenda

Race and Social Welfare Policies of Civil Rights Orga

Dona Cooper Hamilton and Charles V. Hamilton



Columbia University Press

New York

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97 SEP 26 04:49

WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

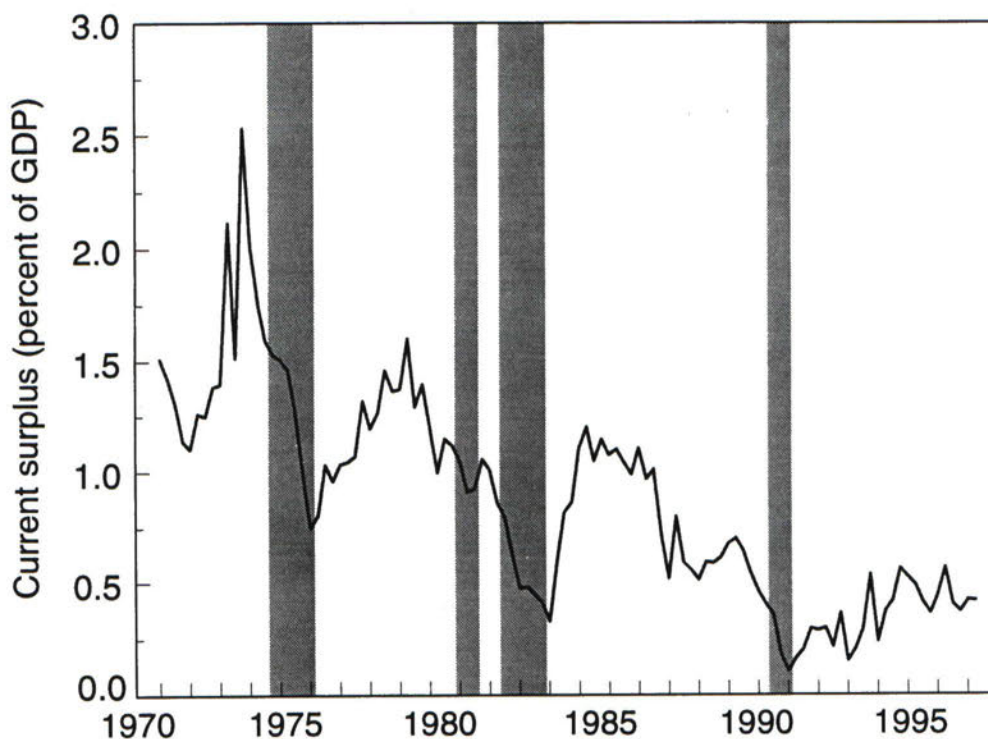
Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

September 26, 1997

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Yellen
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CHART OF THE WEEK

State and Local Budget Surpluses in Perspective



Recent press reports have highlighted bulging state coffers. Economic expansions tend to push up revenues faster than expenditures. However, states tend to cut taxes and increase spending when faced with rising surpluses, and they appear to be doing so now. State and local current surpluses (measured here to exclude social insurance funds and investment expenditures) have been much higher as a share of GDP in the past than they are now.

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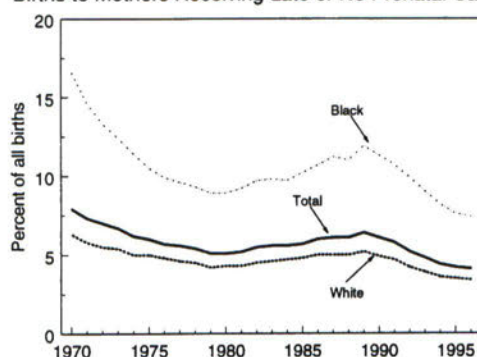
**“Later, Josh—these are Daddy’s
peak earning years.”**

CURRENT DEVELOPMENT

Positive Trend in Prenatal Care Continues

Last year, the proportion of births to mothers who received late or no prenatal care fell to its lowest level since at least 1970.

Births to Mothers Receiving Late or No Prenatal Care



Trends. After falling sharply in the 1970s, the proportion of births to mothers who did not receive prenatal care in the first 6 months of pregnancy rose during the 1980s. Between 1990 and 1996, however, it fell from 6.1 percent to 4.1 percent (see chart). The decline has been especially large for blacks, Hispanics, and teens.

No demographic illusion. A rise in the proportion of births to unmarried women may have contributed to the adverse prenatal care trend of the 1980s. But the share of births to unmarried women continued to rise in the 1990s. Hence changes in the marital status of mothers cannot explain the 1990s reversal of the 1980s trend. Nor does it seem likely that changes in births to non-white or teen mothers explain this reversal in trends.

The role of Medicaid. During the 1990s, states have continued to expand Medicaid eligibility for pregnant women; they have also streamlined eligibility determination and conducted public outreach to promote Medicaid enrollment. As a result, a larger share of women are now covered by Medicaid at childbirth. Nationwide, Medicaid financed 39 percent of all births in 1995, up from 28 percent in 1990.

Certainly, the timing of Medicaid expansions has coincided with the recent decreases in late or no prenatal care. Also, the declines are larger in states with the biggest expansions in Medicaid financial eligibility. This is consistent with previous research that found large effects of Medicaid eligibility on prenatal care, although this research focused on a more disadvantaged group than the population covered by the recent Medicaid expansions.

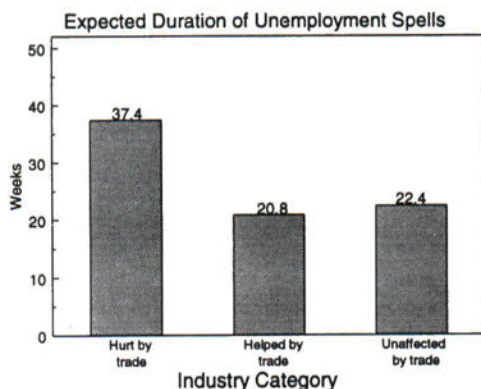
SPECIAL ANALYSIS

Trade and Jobs: Evidence on Displacement in the 1980s

An analysis of patterns of job displacement due to trade in the 1980s provides another illustration of the principle that trade has little impact on aggregate employment over the longer term but may have important distributional effects.

Displacement in the aggregate. The dynamic nature of the U.S. economy means that a substantial number of jobs are created each year and a substantial number of jobs are destroyed. During the 1980s, international trade was an important source of worker displacement in some sectors (although still less than 10 percent of all displacement). In other sectors, however, greater export opportunities or more favorable conditions for competing with imports resulted in less displacement than would have taken place without the impact of trade. On balance, between 1981 and 1989 the positive effects of trade in reducing displacement in some sectors are estimated to have been slightly larger than the negative effects in others; the net impact of trade during this period was therefore to reduce the number of workers displaced, by a small amount.

Distributional effects. The story is different, however, when viewed from the standpoint of individual workers. Trade makes displacement more likely for some kinds of workers and less likely for others. Empirically, workers whose jobs are more at risk because of trade face two distinct problems. First, they tend to have demographic characteristics associated with longer-than-average spells of unemployment. Second, because the effects of international trade tend to be industry-wide rather than firm-specific, the firms likely to place the highest value on a trade-displaced worker's skills are less likely to be hiring. For this reason, the re-employment opportunities for trade-displaced workers are not as plentiful, on average, as they are for other displaced workers.



Implications. Evidence from the 1980s suggests that the average worker who is displaced in an industry that is negatively affected by trade faces a substantially longer unemployment spell than other displaced workers (see chart). Thus, aggregate unemployment could be adversely affected by trade even though the net effect of trade on displacement is largely a wash; empirically, this adverse unemployment effect was small in the

1980s. Moreover, some evidence suggests that trade adjustment assistance in the form of training appears to help reduce the additional trade-related unemployment by as much as 50 percent for each worker.

So we need
analysis of the
adequacy of our present
budgeted training act.
(quantity of funds -
quality of training)
Medium

SPECIAL ANALYSIS

Do Low-Price Guarantees Guarantee Low Prices?

The Sports Authority advertises that “if you ever find a lower competitor’s price, we’ll match it! Hassle free!” Such price-matching policies have become commonplace in diverse retail markets, as well as in manufacturing and even in stock trading. Superficially, such policies seem the epitome of cutthroat competition. In practice, however, guaranteeing low prices may be a good way for firms to limit competition and keep prices high.

How is competition inhibited? Under the cover of a matching offer, a firm can raise prices and charge high posted prices to poorly informed buyers without driving away savvy shoppers, who are enticed with the low prices promised by the matching offer. In addition, rivals may be discouraged from offering low prices to undercut a price matcher, because the price matcher’s guaranteed-low-price policy prevents him from being undercut. Ironically, when price matching becomes pervasive, few low prices may be left even for the most savvy shopper. Moreover, the anti-competitive effects of price matching require no explicit collusion among firms.

Some evidence suggests that price-matching policies can lead to higher prices. After supermarkets in North Carolina began to match prices on certain food items, for example, the prices of those items began to rise faster than the prices of other items. Laboratory experiments of competitive behavior also indicate that price matching will raise prices.

Price fixing on NASDAQ? Over-the-counter stock trading may be another instance in which price matching has produced significant anti-competitive results. NASDAQ trades are carried out by “market makers,” who buy stock from one investor and sell it to another. These intermediaries make their money on the bid-ask spread between the price at which they buy a stock and the price at which they sell it. For a time, NASDAQ bid-ask spreads were unusually high, and subsequently the Securities and Exchange Commission and the Department of Justice uncovered a complex price-fixing arrangement among market makers. Skeptics responded that the large number of market makers made it unlikely that such an arrangement could successfully prevent the cheating (price cutting) that undermines such arrangements.

Price matching offers a possible rebuttal to the skeptics’ argument. The standard practice is for NASDAQ market makers to match the best available quote when they buy or sell a stock. This assures customers that they will always get the best quoted price, but it removes their incentive to look for the market maker offering the best price. Thus, it also removes the incentive for market makers to cheat on any price fixing arrangement by offering a better price.

The antitrust challenge. The SEC and DOJ investigations of NASDAQ focused on market makers’ pricing agreements, not on their price matching. Price matching

Conclusion. More research will certainly be necessary to know for certain whether price matching has significant anti-competitive effects. It is hard to avoid wondering, however, whether the advertisement by the Berkeley Campus Textbook Exchange might have it right: “Saying ‘we will match any price’ only means their prices are too high to begin with.” Guaranteeing a low price seems to be a good way to avoid offering a low price.

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ARTICLE

Corporate Checks and Balances

A movement is afoot among some pension funds and other large institutional investors to take a more active interest in how the companies whose stocks they hold are run. A leader in this “corporate governance” movement is the California Public Employees’ Retirement System (CalPERS).

Sometime in the next few months, CalPERS trustees are expected to vote on whether to adopt a set of corporate governance guidelines for companies in the CalPERS portfolio. Although it will not insist on strict adherence to the guidelines, CalPERS plans to use the tools at its disposal (mainly proxy votes and publicity) to put pressure for reform on companies that deviate too far from these guidelines. The effects of shareholder activism of this sort are difficult to measure, but some evidence suggests that similar CalPERS efforts in the past may have borne fruit.

What is corporate governance? The principal focus of the corporate governance reform movement has been on increasing the effectiveness of boards of directors. In principle, corporate boards are part of the system of checks and balances that are supposed to ensure that the CEO and top management run the company in ways that benefit its owners (shareholders), and not in ways that reward management at the expense of shareholders. Among CalPERS’s less controversial proposals are the following:

- The majority of board seats should be held by “independent” directors—people with no direct connection to the firm other than their current directorship. (Current or recent top executives, who are often company directors, would not qualify as independent directors, although they could still remain on boards. Similarly, people affiliated with either a nonprofit group that gets “significant contributions” from the company or a firm that has significant contracts with the company would not qualify as independent directors.)
- Only independent directors should serve on key board committees, such as the audit, management and director recruiting, and executive compensation committees.
- Independent directors should be required to meet at least once a year, without the CEO or other non-independent directors present.
- Directors should be paid in large part in stock rather than in cash, to ensure that their incentives line up with the incentives of shareholders.

These principles enjoy wide support among participants in the corporate governance movement. This summer the CalPERS board of trustees rejected a draft staff proposal that went much further and included several controversial provisions. Two

of these, term limits and age limits for directors, reportedly were singled out by the trustees as unnecessary. Newspaper accounts indicate that a revised proposal containing most of the more broadly accepted ideas outlined above will likely be voted on by the board in the next few months.

Sticks and stones... Why should companies care what CalPERS says about their corporate governance practices? One reason is that, as a shareholder, CalPERS has the right to submit proposed reforms to shareholders for proxy voting. Management might prefer to adopt its own version of reforms preemptively, rather than be forced to adopt reforms proposed by outsiders. A second reason is that some (still rather weak) evidence suggests that adoption of good governance procedures improves a company's long-term performance. Finally, a bad rating from CalPERS could be interpreted by the market as a signal about future profitability, leading to a market reaction. In this case, CalPERS' words could hurt a company's stock price, at least in the short run.

Effects of past CalPERS activism. Since the late 1980s, CalPERS has selectively targeted certain firms in its portfolio as candidates for corporate governance reform initiatives. Over the 1989-93 period, 72 percent of targeted firms either adopted the shareholder resolution CalPERS proposed or settled with CalPERS before a resolution was brought to a vote. Judging whether CalPERS activism had an effect on firm performance is more difficult, but the evidence suggests that stock prices of firms targeted by CalPERS subsequently outperformed either the stock market as a whole or prices of firms that were similar to the targeted firms.

Conclusion. The corporate governance movement is still gathering steam, and in the long run appears likely to have a substantial impact on how companies are run.

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

FTC Warns Against Broad Antitrust Exemption for Tobacco. Language in the proposed tobacco settlement appears to call for broad antitrust immunity that would allow tobacco companies to coordinate their activities in order to achieve the goals of the agreement. But a recent Federal Trade Commission staff study suggests that such broad immunity appears to be unnecessary for implementation of the settlement and might permit a variety of activities that would enable the firms to raise prices of cigarettes beyond the level needed to satisfy industry payments under the settlement. The study emphasizes the oligopolistic structure of the industry, which has allowed cigarette prices to be maintained above competitive levels but still below the level that would be chosen if the companies were behaving as a perfect cartel. To the extent that enhanced antitrust immunity facilitates greater coordination, however, prices and profits could increase substantially. The FTC study acknowledges that higher prices discourage smoking and it is broadly consistent with the Administration's internal review of the economic impact of the tobacco settlement.

Divorce Laws and Labor Supply. One common explanation for the rise in women's labor force participation is the desire by married women to supplement family income. A new study suggests that the introduction of no-fault divorce may also have affected married women's labor force behavior by shifting the balance of power in divorce settlements. The study argues that previously husbands may have had to offer concessions to get their wives to agree to a divorce but no-fault tends to be disadvantageous to women who have specialized in work at home rather than in the paid labor force. Thus, married women may be joining the paid labor force to protect themselves against the potentially adverse effects of no-fault divorce. The study finds that married women in states with no-fault divorce laws were not only more likely to be employed outside the home than those in states lacking such laws, but they also tended to work four and a half hours more per week.

College Tuition and Financial Aid on the Rise. Students attending 4-year colleges (or their parents) will pay an average of about 5 percent more in tuition this school year, according to a recently released College Board survey. Tuition costs at 2-year institutions rose by 2 to 4 percent for the 1997-98 school year. The Board reports that half of all students enrolled in post-secondary education receive some form of financial aid from Federal, state, or private sources. During the 1996-97 school year, financial aid reached \$55 billion, a 70 percent increase in real (inflation-adjusted) terms over a decade ago. Most of the increase has come through loans, rather than grants: Loans now account for over 60 percent of all aid, compared with just over 40 percent in 1980-81. In addition, the fraction of loans that are subsidized has fallen. At the same time that tuition have been rising, the real value of the maximum Pell Grant has been falling. At its peak in the late 1970s, the maximum Pell Grant covered three-quarters of the average cost of attending a 4-year public college and one-third the cost of a 4-year private institution, compared with one-third and one-seventh today.

INTERNATIONAL ROUNDUP

Asian Leaders Attack Currency Traders. The annual meetings of the World Bank and International Monetary Fund in Hong Kong this week were accompanied by controversy as Malaysian Prime Minister Mahathir Mohamad charged that currency speculation by foreign investors was largely to blame for Southeast Asia's financial crisis. He also proposed restrictions on currency trading, stating in a recent opinion piece that the "great advocates of open societies only see the benefits to themselves from such openness." Some support from leaders of other emerging markets for slowing the move towards financial liberalization was reported in discussions of an IMF proposal to adopt a principle of capital account convertibility. The international trader, George Soros, who was singled out in the prime minister's accusations, was quoted as saying that "interfering with the convertibility of capital at a moment like this is a recipe for disaster. Dr. Mahathir is a menace to his own country."

Asian Economies on Track to Be Dominant Energy Consumers. World energy demand could double by 2020—with Asian countries coming to dominate the list of energy consumers—if current rates of consumption continue, according to a recent report by Oxford Economic Research Associates. This dramatic increase would require an investment of up to \$3 trillion for expanded power production. The United States and China, which currently rank first and second, respectively, in total energy consumption, are expected to maintain these positions. But South Korea, currently ranked tenth, is expected to jump to third. Russia, by contrast, is expected to fall from third to tenth. Between 1986 and 1996, Asia-Pacific energy demand grew by 60 percent. U.S. demand grew by 20 percent over the same period.

Argentina Experiencing Rapid Growth. After experiencing a recession in 1995 following the Mexican currency collapse and domestic anti-inflation policies, Argentina has experienced a strong investment-led recovery. GDP growth was 4.4 percent last year and is forecasted to reach about 7 percent this year. Prices and interest rates are expected to remain steady, and projections indicate continued strong growth. Nevertheless, Argentina remains vulnerable to potential external threats (such as a currency depreciation in Brazil) and continues to experience twin deficits (the 1997 current account deficit is predicted to near \$7.5 billion). Moreover, growth in consumption has been lagging behind growth in GDP and unemployment remains high. These are issues likely to figure in the October congressional elections.

RELEASES THIS WEEK

Gross Domestic Product

****Embargoed until 8:30 a.m., Friday, September 26, 1997****

According to revised estimates, real gross domestic product grew at an annual rate of 3.3 percent in the second quarter of 1997.

Advance Durable Orders

Advance estimates show that new orders for durable goods rose 2.7 percent in August.

MAJOR RELEASES NEXT WEEK

Money Income in the United States, 1996
and Poverty in the United States, 1996 (Monday)
Consumer Confidence—Conference Board (Tuesday)
NAPM Report on Business (Wednesday)
Leading Indicators (Wednesday)
Employment (Friday)

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	3.3
GDP chain-type price index	5.4	2.3	1.9	2.4	1.8
<u>Nonfarm business (NFB) sector:</u>					
Productivity (chain-type)	1.5	1.2	1.8	1.4	2.7
Real compensation per hour:					
Using CPI	0.6	0.2	-0.1	2.1	2.1
Using NFB deflator	1.3	1.4	1.6	2.4	2.0
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	12.0
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	-0.4
	1970- 1993	1996	June 1997	July 1997	August 1997
Unemployment Rate	6.7**	5.4**	5.0	4.8	4.9
Payroll employment (thousands)					
increase per month			222	365	49
increase since Jan. 1993					12954
Inflation (percent per period)					
CPI	5.8	3.3	0.1	0.2	0.2
PPI-Finished goods	5.0	2.8	-0.1	-0.1	0.3

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

New or revised data in **boldface**.

GDP and related data for 1997:2 **embargoed until 8:30 a.m., Friday, September 26, 1997.**

FINANCIAL STATISTICS

	1995	1996	July 1997	August 1997	Sept. 25, 1997
Dow-Jones Industrial Average	4494	5743	7991	7948	7848
Interest Rates					
3-month T-bill	5.49	5.01	5.05	5.14	4.80
10-year T-bond	6.57	6.44	6.22	6.30	6.13
Mortgage rate, 30-year fixed	7.95	7.80	7.50	7.48	7.28
Prime rate	8.83	8.27	8.50	8.50	8.50

INTERNATIONAL STATISTICS

Exchange Rates	Current level September 25, 1997	Percent Change from	
		Week ago	Year ago
Deutschemark-Dollar	1.769	-0.5	16.9
Yen-Dollar	121.3	-0.6	9.9
Multilateral \$ (Mar. 1973=100)	97.45	-0.6	11.4

International Comparisons	Real GDP growth (last 4 quarters)	Unemployment rate	CPI inflation (last 12 months)
United States	3.4 (Q2)	4.9 (Aug)	2.2 (Aug)
Canada	3.7 (Q2)	9.0 (Jul)	1.8 (Jul)
Japan	-0.3 (Q2)	3.5 (Jul)	1.8 (Jul)
France	2.3 (Q2)	12.7 (Jun)	0.9 (Jul)
Germany	2.0 (Q2)	7.8 (Jun)	1.9 (Jul)
Italy	-0.4 (Q1)	12.7 (Apr)	1.6 (Jul)
United Kingdom	3.5 (Q2)	6.9 (Jul)	3.4 (Jul)

U.S. GDP data embargoed until 8:30 a.m., Friday, September 26, 1997.

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THE WHITE HOUSE
WASHINGTON

'97 SEP 27 PM 1:55

THE PRESIDENT HAS SEEN
9-29-97

September 26, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. Food Safety -- Initiative on Imported Fruits and Vegetables: We developed and leaked a food safety initiative last week to preempt expected criticism (including a major article by Jeff Gerth of the New York Times) that fast track legislation would endanger the nation's food supply by increasing imports of fruits and vegetables. The initiative: (1) calls for legislation authorizing the Food and Drug Administration (FDA) to halt imports of fruits, vegetables, or other food from any foreign country whose food safety systems and standards are not on par with those of the United States (the USDA currently has this authority over meat and poultry); (2) commits to seeking sufficient funds in Fiscal Year 1999 to enable the FDA to create a significant international inspection force; and (3) directs the FDA to issue guidance on good agricultural and manufacturing practices for fruits and vegetables, dealing with such matters as sanitation, worker health, and water use. We are still considering whether to add to this package a legislative proposal requiring "country of origin" labeling on produce, meat, and other food products. We like this proposal as a matter of policy, but do not yet know whether it would help or hurt the effort to enact fast track legislation.

2. Education -- National Testing -- Test Development: The group working on test specifications completed its work almost two weeks ago and included a controversial proposal to permit students to use calculators while taking the math test. Diane Ravitch, Checker Finn, Bill Bennett, and their Congressional allies reacted negatively both to the content of this proposal and to the continuation of any work on test development under the Department of Education's auspices. At our urging, Secretary Riley issued a statement opposing the calculator proposal, lauding the Senate-approved plan for placing NAGB in charge of the tests, and announcing that the test contractor would not develop any test items until NAGB approves the test specifications. This move reassured our Republican supporters that we will not proceed independently of NAGB. Bill Goodling, however, denounced Riley's statement, alleging that NAGB would become a "national school board" and vowing to continue his fight against the tests.

3. Education -- National Testing -- Filibuster Threats: On Thursday, Sen. Ashcroft released a letter signed by 27 Republican Senators expressing opposition to the tests, urging the conferees to support the Goodling amendment, and threatening to filibuster the Labor-HHS appropriations bill if the conference report includes support for the testing initiative. Fourteen of the signatories had voted in favor of the Senate-passed compromise testing plan, but switched

✓ sides under pressure from the Eagle Forum and similar groups. We are working with Ravitch and Finn (and through them with Bennett) to shore up the remaining Republicans. In addition, we worked hard to round up 43 Democratic Senators to sign a letter, released by Sen. Bingaman the next day, vowing to filibuster the Labor-HHS bill if the conference report does not include the testing plan.

✓ **4. Education -- National Testing -- Goodling Letter:** You received a letter from Bill Goodling on Friday afternoon concluding that "your stance on testing is making my job of authorizing an 'America Reads' program almost impossible." We are working with NEC to craft an appropriate response.

✓ **5. Education -- Single Sex Schools:** We must determine how to proceed with respect to an experimental all-girls public middle school opened one year ago in New York City's East Harlem neighborhood. The New York Civil Liberties Union filed a complaint against the school with the Department of Education, charging that the school violates Title IX's prohibition against sex discrimination. Without informing the White House, the Department (through its Office of Civil Rights (OCR)) responded to the complaint last week by asking the New York City Board of Education either to admit boys to the school or to establish a separate all-boys school nearby. Chancellor Rudy Crew apparently will reject both of these proposals. If he does, OCR will face the choice of either dismissing the complaint or referring it to the Justice Department for legal action. The DPC is working with the Counsel's office to determine the best course to follow.

6. Education -- Vouchers: The Senate debated the DC appropriations bill on Thursday, with Democrats filibustering because of a voucher provision similar to one you have vetoed previously. A cloture vote is expected Tuesday morning. Education groups count a solid 43 votes to sustain the filibuster. If the cloture motion fails, Senators Coats and Lieberman may withdraw the voucher provision. In the House, the Appropriations Committee is scheduled to mark-up its DC bill on Monday. Rep. Dixon is leading the effort against a "scholarship" (i.e., voucher) provision sponsored by Rep. Arney; Dixon has not decided whether he will seek to substitute another program or simply move to strike.

Meanwhile, the House version of the Coverdell K-12 IRA proposal, sponsored by the Speaker, is expected to be marked-up by Ways and Means on October 8. A floor vote probably will occur as part of a Republican "Education Week" from October 20 to 24, which also will include action on a reading/literacy bill, charter schools legislation, and FFEL/Direct Lending consolidation. Rep. Rangel is planning to offer as an alternative a proposal to provide tax credits for school construction. Senate Republicans have made no decision on when to bring up the Coverdell proposal, but many Democrats are already planning to offer the Daschle school construction bill as an alternative. As you may recall, you promised during negotiations for the Balanced Budget Agreement to meet with the Speaker and others (including a family) on the Coverdell proposal; we are trying to schedule this meeting to attract as little press attention as possible.

✓ **7. Immigration -- Commission Report:** The U.S. Commission on Immigration Reform will release its final report to Congress on Tuesday. The final report reiterates many of the recommendations made in interim reports during the Commission's six-year tenure. The report also contains two new recommendations: (1) a "structural reform" proposal to divide all functions now performed by the Immigration and Naturalization Service (INS) among a new bureau at the Department of Justice, a new undersecretaryship at the Department of State, and the Employment Standards Administration at the Department of Labor; and (2) an "Americanization and integration" proposal to help new immigrants become full participants in our national community. The DPC has begun a process (involving NPR, OMB, the Counsel's Office, and the interested agencies) to review the Commission's proposal to restructure the immigration system. As might be expected, the Justice Department (and particularly the INS) is quite anxious about this review process. In addition, DPC staff will work with the staff of the Race Commission to review the Commission's Americanization proposal.

✓ **8. Immigration -- Expiration of Law:** Section 245(i) of the Immigration and Nationality Act, which permits certain illegal immigrants to file here for legal status instead of at U.S. consulates abroad, is set to expire on Tuesday. Congress will consider a three-week extension of the provision on Monday as part of the continuing resolution. The current Senate version of the Commerce-Justice appropriations bill contains an open-ended extension of the provision, as requested by the Administration, but the current House version does not contain any extension at all. As you know, the provision mainly benefits those already on track for legal residency who overstay their visas while their residency applications are pending. If the provision expires, thousands of immigrants will have to choose between remaining in the U.S. illegally or leaving the country, probably for several years, until they can obtain green cards at consulates abroad.

✓ **9. Crime -- FBI Statistics:** The FBI will release the final 1996 Uniform Crime Report next Saturday. The final figures confirm preliminary data released earlier this year-- that serious crime dropped three percent in 1996, the fifth annual decrease in a row. Violent crime declined seven percent, with murder showing the greatest decline at 11 percent.

✓ **10. Tobacco -- Congressional Meeting:** You will host a meeting on tobacco with the bipartisan congressional leadership on Wednesday. We think you should challenge them to work together to draft bipartisan legislation by the end of the year and to make tobacco the first issue they take up in 1998. We believe the prospects are good for a bipartisan bill to emerge in the Senate. Two days after your meeting, the Vice President will hold a tobacco event in Tampa to highlight Florida's success in taking on the tobacco industry and to build public support for tobacco legislation. We are working with the Vice President's office to plan a series of regional town halls on tobacco in the months to come.

✓ **11. Welfare Reform -- Fair Labor Standards Act:** Rep. Clay Shaw is continuing his effort to draft a bill that will address state concerns about the cost of workfare programs. His first draft was attractive to several Democratic Governors (including Carper and Chiles), but not

conservative enough for House Republicans. (As we told you last week, even that draft cut back on labor protections for workfare participants and weakened work requirements.) His new draft is a disaster. It deprives all workfare participants of the protections of the FLSA (including the minimum wage) and other labor laws (including workplace safety protections and anti-discrimination laws) by classifying these people as "trainees." It exempts not only workfare participants, but all working welfare recipients -- including those in subsidized private employment -- from FICA and FUTA. And it continues to weaken work requirements, again not only for workfare participants, but also for people in other kinds of subsidized work programs. We are telling Democratic Governors that we will not be able to support this bill, but remain amenable to narrow legislation exempting workfare participants from FICA and FUTA. We also ~~are actively pursuing a new idea to accomplish this exemption through administrative action.~~

12. Welfare -- Welfare-to-Work Transportation Proposal: The Senate Banking and Urban Affairs Committee voted 11 to 7 on Thursday to add the Administration's welfare-to-work transportation proposal to the federal transit legislation. Sen. Moseley-Braun offered the amendment, which all Democratic committee members and Sens. D'Amato, Bennett, and Enzi supported. The Vice President sent a letter to the committee urging adoption of the amendment. The Senate version authorizes an \$100 million annual appropriation to help states and communities finance transportation projects to help welfare recipients get to work. In the House, Rep. Schuster had a \$42 million program in his budget-busting transportation proposal, but last week abandoned this proposal in favor of a six-month extension of current law.

13. Welfare -- Federal Welfare Hiring: We expect the federal agencies to have hired more than 1,400 welfare recipients by October 1, six months after making the commitment to hire 10,000 in four years. The Vice President may highlight this achievement at a public appearance next week.

14. Health -- FDA Reform: The Senate passed the FDA reform bill this week by an overwhelming majority (98-2). As expected, the Senate bill did not sufficiently address our outstanding concerns -- particularly a provision that would preclude the FDA from reviewing new medical devices for uses other than the one the manufacturer says is intended. The House Commerce Committee is currently debating the legislation. We remain hopeful that we will be able to resolve all outstanding issues before the bill comes to you for signature -- probably in early November.

15. Health -- Genetic Screening/Medical Records Privacy: Your SEIU speech calling on Congress to pass legislation on medical records privacy and genetic discrimination provoked a very positive reaction. The Senate Labor Committee asked us for help in drafting legislative language on medical records privacy, and plans to schedule another hearing on this issue in late October. The Committee also asked for a series of briefings on genetic discrimination by health insurers. The first of these meetings, which took place last week, went very well. We are also working with the Vice President and Department of Labor on issues relating to genetic discrimination in the workplace.

THE PRESIDENT HAS SEEN

9-29-91

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 **16. Health -- Consumer Bill of Rights:** Three leading health plans (Kaiser Permanente, Group Health Cooperative of Puget Sound, and HIP Health Insurance Plans) and two national consumer groups (AARP and Families USA) released joint principles for consumer protections this week. The principles included making health care services more accessible, providing consumers with a choice of plans, ensuring confidentiality, requiring full disclosure of benefits and other relevant processes, and guaranteeing coverage of emergency care. While the groups said that these protections should be national, they did not suggest a mechanism for enforcement. The principles received a great deal of media attention, thus enhancing Congressional interest in the consumer protection issue. We believe this announcement helps lay the groundwork for the Consumer Bill of Rights that you requested the Quality Commission to release this fall.

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September 26, 1997

THE PRESIDENT HAS SEEN
9-29-97

MEMORANDUM FOR THE PRESIDENT AND VICE PRESIDENT

FROM: MARIA ECHAVESTE

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SUBJECT: OPL WEEKLY REPORT - September 20 to September 26

ACTIONS SUPPORTING PRESIDENTIAL INITIATIVES

EDUCATION

- OPL held the annual briefing for the American Association of Community College's "DC Experience," the workshop was very successful. The college presidents and chancellors from around the nation repeatedly announced their appreciation and support of your efforts in education. In their discussions with the Corporation for National Service, they asked that we challenge other Community Colleges to do more with CNS in providing assistance to students. They are very excited about today's address in Houston.

RACE

- Hugh Price and Dr. Dorothy Height confirmed their participation as observers at the 2nd meeting of the Advisory Board Meeting on the President's Initiative on Race. Roger Wilkins expressed his sincere apology for not being able to attend, but does support your Initiative.

WELFARE TO WORK

- On Tuesday, I met with representatives from Smith Barney (Travelers-Sandy Weil, CEO) to receive an update on their welfare-to-work efforts. They focused on a program they have instituted in conjunction with Wildcat Services that offers opportunities to AFDC dependent women. The program gives these women 6 weeks of "life skills" training and then they are offered a 6 week paid internship with Smith Barney. At the conclusion of the internship, either Smith Barney will hire the individual or they will be placed elsewhere by Wildcat. The program is on track to enroll 65 persons each year. Of the 35 women who have completed the program, 27 are employed with Smith Barney and 8 are employed elsewhere. The personal stories I heard from these women about how this program has changed their lives were wonderful. The program also helps to prove that "Wall Street" can assist in and benefit from efforts to employ people from welfare. We hope to be able to use this example to obtain commitments to help implement welfare to work from other financial firms.

CLIMATE CHANGE/FAST TRACK

- On Wednesday, we set up a briefing in conjunction with Political Affairs for the Louisiana Chamber of Commerce to discuss Climate Change and Fast Track. They were addressed by Vicki Radd on Fast Track and are very supportive. Dirk Forrister spoke with them about Climate Change and they were not as supportive. They are very concerned about the cost any agreement will have on US small businesses and hope that we will not consider any agreement that does not include Least Developed Counties (LDC).
- The list of agriculture groups supporting Fast Track continues to increase. The agriculture groups are doing a great job and working at a grassroots level to help those Members of Congress better understand the issue by putting a personal story on the issue.
- To help ensure participation of minority groups in our Climate Change effort we have provided CEQ and Conference Coordinators with a listing of top African American Environmentalists, Organizations, and Historically Black Colleges and Universities (HBCU) who are interested in Climate Change.

HATE CRIMES

- OPL held a roundtable with diverse group of women leaders to get input on outcome for Hate Crimes Conference. Serious concerns were raised about the need to include gender in the conference program and outcomes as well as inclusion of gender in hate crimes legislation. Additionally, leaders recommended that we include a workshop on the intersection of gender and race and sexism and racism as well as the issue of "double jeopardy" that women and people of color face. Recommendations were made of possible workshop leaders and participants who have particular expertise on these issues.
- Richard Socarides was featured on an Arab American Cable show hosted by Jim Zogby promoting the White House Hate Crimes Conference. The Arab American community is anxious to have full participation in this conference and are pleased that the White House is willing to take on this issue that tragically affects their community on a daily basis.
- Jim Zogby also announced on the show that leaders from the Arab American community met with Secretary Slater about the problem of airport profiling. They presented the Secretary with affidavits documenting harassment of Americans of Arab descent from across the country in American city airports. Jim was happy to report the Secretary's interest and willingness to help solve this problem. The community feels it is important for your Administration to investigate this harassment of American citizens.
- We have scheduled a meeting with the religious and African American communities in preparation for the White House Conference on Hate Crimes Coordinators.

CONSTITUENT AND OTHER ISSUES

CHILDREN

- OPL and Political Affairs meet with *Nickelodeon* about a service program that they call "The Big Help." It is a program aimed at children between 6 and 14 to encourage participation in volunteer activities. They will be having a telethon to have children volunteer on October 19th. Last year they had 8 million call in to pledge millions of hours. We also talked to them about them doing programs on Race and other important Administration issues.

AFFIRMATIVE ACTION

- OPL and Council's office met with a number of groups regarding your Houston speech and the 209 issues. Most were understanding about the decision not to file an amicus brief and all agreed to limit their remarks about the Administrations efforts on Affirmative Action. The groups also expressed an interest in participating with the Department of Education on Testing and Standards.

HISPANIC OUTREACH

- We organized a briefing for members of the Hispanic National Bar Association (HNBA) for over 100 attorneys from around the country. Eric Holder, Bob Nash and other senior Administration officials addressed them. The main issues of concern were appointments (Judicial and Administration), census and education standards.

JEWISH OUTREACH

- Eric Schwartz of the NEC briefed the Washington representatives of Jewish organizations on the administration's opposition to the Wolf-Specter bill on religious persecution in its current form. They are in agreement with us on most points of contention with the legislation but are disappointed in the lack of both publicly stated opposition to the bill and positive proposals to alleviate problems with the bill.

NON-PROFIT

- We are working with OSTP to educate and involve non-profit groups and various associations about an evolving project called the Virtual Reference Desk. This interactive system can provide direct communication with students, teachers, parents and professionals in a given field.

WOMEN'S OUTREACH

- We met with a coalition of more than 40 progressive Catholic groups involved in church reform, economic and social justice, human rights, international family planning and women's empowerment. They expressed their strong support for the Administration and an interest in being more fully integrated into policy discussions and establishing an ongoing relationship. They stressed the importance of including a diversity of views when interfacing with the Catholic community and wanted to be incorporated into a number of our initiatives - Hate Crimes, Welfare to Work, and Race and Reconciliation.
- As a part of the Council of Presidents congressional briefing on Affirmative Action, we met with women from traditional and non-traditional jobs who shared their personal stories about how affirmative action positively affected their careers and family's economic future. They are disturbed about the continued lack of understanding about affirmative action and the role of the press in fueling division on this issue, particularly in their bias in referring to affirmative action policies as quotas. They urged us to take a strong stand against any further rollbacks of programs and are alarmed about the upcoming 209-like ballot fight in Houston.
- Audrey Haynes presented the keynote address at the Substance Abuse and Mental Health Services Administration (SAMSA) conference in Arizona. She spoke to over 1000 women advocates, providers, and consumers from across the country at the on the Administration's accomplishments for women and families, particularly as it relates to women's health. She also delivered a Presidential letter.

BUSINESS

- OPL set up a planning meeting with Gene Sperling, Dan Tarullo, Todd Stern as well as other White House staff for the Washington representatives of the Big Three auto companies. It was clear from the outcome of this meeting that the CEO's want the primary focus of your meeting to be on Climate Change. In addition, they wanted to make sure that we knew that they were active and supportive on passing fast track.
- We are also setting up a meeting for all of our agency Business Liaisons to be briefed by the Welfare-to-Work Foundation on the status of their corporate outreach for next Thursday.
- OPL met with Sam Freid, general counsel of The Limited regarding Welfare to Work and Race. They are interested in participating in both of these initiatives. They company is building a new corporate headquarters in Columbus and are very committed to finding ways to provide jobs to welfare recipients.

AFRICAN AMERICAN OUTREACH

- This week, a proclamation was issued for September 21 through September 27, 1997 as National Historically Black Colleges and Universities Week. The White House Initiative

on Historically Black Colleges and Universities (HBCU's) under the leadership of Catherine LeBlanc, Executive Director, hosted the 1997 National HBCU Week celebrations.

HBCU Presidents met with Secretary Herman, Secretary Pena and Secretary Riley as well as attended workshops on grant opportunities at AmeriCorps and grant and fellowship programs at EPA. Also announced during HBCU Week, over \$6,000,000 in HUD grants were announced to 17 HBCU's. Included among awardees was Arkansas Baptist College (\$400,000). The Energy Department awarded a 5 year \$1,000,000 grant to the United Negro College Fund (UNCF) to expand the role of HBCU's in environmental justice programs.

- Over 100 Black Farmers led by John Boyd, President, National Black Farmers Association, held a peaceful demonstration in front of the White House in protest of USDA discrimination practices. Former Secretary of Agriculture Mike Espy also appeared to urge you and Secretary Glickman to "resolve black farmer's long-standing complaints of discrimination." This week, the White House received a letter from Senator Charles S. Robb in which he requests a meeting be held between you and the National Black Farmers Association.

GAY & LESBIAN OUTREACH

- Reaction was extremely positive to the news that you had agreed to serve as the Keynote Speaker at the National Dinner of the Human Rights Campaign on November 8th. Your appearance will mark the first time a sitting president has attended a gay and lesbian civil rights event.

NATO ENLARGEMENT

- The pictures and articles from your Madrid trip are hitting all the ethnic newspapers. You are receiving front page coverage from a variety of ethnic papers including Polish, Romanian, Hungarian and Czech papers. There are wonderful articles congratulating your leadership on NATO enlargement and fabulous front page photos which are building strong positive sentiment and excitement throughout the ethnic communities. The communities are inspired and willing to work hard for ratification of the NATO treaty.

cc:	Erskine Bowles	Rahm Emanuel
	John Hilley	Mickey Ibarra
	Ron Klain	Ann Lewis
	Susan Liss	Thurgood Marshall, Jr.
	Sylvia Mathews	Michael McCurry
	John Podesta	Bruce N. Reed
	Craig Smith	Doug Sosnik
	Gene Sperling	

THE WHITE HOUSE
WASHINGTON

September 27, 1997

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MR. PRESIDENT:

On page 5 of this report, there is reference to the Cassini Mission to Saturn.

You will be receiving a memo on this in the next few days.

Phil Caplan

Phil

THE PRESIDENT HAS SEEN
9-29-97

THE WHITE HOUSE
WASHINGTON

September 26, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: THURGOOD MARSHALL, JR. *THM*

SUBJECT: Summary of Cabinet Weekly Reports
September 19-26, 1997

DEPARTMENT OF TREASURY

- **IRS Hearings:** The Ways and Means mark-up on the Kerrey-Portman IRS bill is scheduled for the next few weeks, and the leadership is intent on floor action before recess. At this point no comparable Senate action appears likely this fall.
- **Pennsylvania Avenue:** The House's District of Columbia appropriations bill contains a provision that would mandate the reopening of Pennsylvania Avenue to vehicular traffic in front of the White House. Pennsylvania Avenue has been closed since May 19, 1995 at the direction of Secretary Rubin. His decision was based on the findings of the White House Security Review that it was necessary to close the Avenue in order to neutralize the threat of a vehicle carrying explosives. Secretary Rubin sent a letter to the Chairman of the House Appropriations Subcommittee on the District of Columbia, Representative Taylor, stating his opposition to the provision.

DEPARTMENT OF JUSTICE

- **Child Pornography:** On September 11, in the Eastern District of PA, indictments were returned against three individuals on child pornography counts. The cases were investigated as part of the FBI's nationwide investigation, entitled "Innocent Images," into the use of "America Online" by individuals to transport and receive child pornography.
- **Belarus Nazi Killings:** On September 12, Judge O. John Brahos of the U.S. Immigration Court in Chicago, IL ordered the deportation to Lithuania of Juozas Naujalis, a Chicago man who served during World War II as an armed member of a Nazi-sponsored mobile killing unit that murdered thousands of Jews and others in Nazi-occupied Byelorussia (now Belarus). Based on documentary and testimonial evidence presented at hearings in

April and August by the Office of Special Investigations (OSI), the court found that Naujalis had served in the infamous 2nd Lithuanian Schutzmannschaft Battalion and that he had assisted in the battalion's perpetration of "atrocious" crimes in Byelorussia involving the killing of thousands of Jews.

- **UK Search Warrants:** On September 9, United Kingdom authorities executed search warrants on ten separate locations pursuant to a U.S. MLAT request in the Kathleen Barnette matter. Kathleen Barnette is the ex-wife of Larry Barnette, who was convicted in the Middle District of FL of defrauding the U.S. Army of \$15 million. Kathleen Barnette has systematically moved that money around the world in an attempt to avoid paying restitution to U.S. authorities, as the Barnettes were ordered to do by a U.S. court. This occasion was the first time that the U.K. Serious Fraud officials executed searches on behalf of the U.S.
- **Gulf War Birth Defects:** On September 8, Judge Walter S. Smith, Jr. dismissed an action in which it was alleged that a child suffered severe birth defects as a result of her father's exposure to vaccines, medications, biological and chemical agents, and other toxic substances while he was employed by a DoD contractor in Saudi Arabia during the Persian Gulf War. Lisa Arnold, et al. v. United States (W.D. Tex.). Judge Smith held that the suit was barred by the Federal Tort Claims Act's discretionary function exception, combatant activities, and foreign country exceptions.

DEPARTMENT OF COMMERCE

- **Deputy Secretary Confirmation:** On September 23, Deputy Secretary Designate Robert Mallet was voted out of the Commerce Committee. DOC hopes he will be confirmed next week.
- **U.S.- Korea Committee on Business Cooperation (CBC):** On October 1, the inaugural meeting of the CBC will take place. Secretary Daley will serve as U.S. Co-Chair with Korean Trade Minister Lim.
- **International Trade Advocacy:** The Bureau of Export Administration (BXA) is coordinating high-level U.S. Government support for U.S. firms involved in the advanced fighter aircraft competition in Chile, a project valued at an estimated \$850 million. BXA is currently working with the Defense Security Assistance Agency to prepare an advocacy letter from Secretary Cohen on behalf of Boeing for the Huzar helicopter upgrade competition, a project worth approximately \$250 million.
- **Fisherman's Health Plan:** Planning continues for the possible announcement of a Fisherman's Health Plan on October 1, in cooperation with Caritas Christi, the Health Care system of the Boston Archdiocese. DOC and HHS have successfully negotiated an interagency agreement on funding administration of the program.

- **Mexico/EU Free Trade:** Mexican Commerce Secretary Herminio Blanco announced that Mexico and the EU would begin negotiations on a free trade agreement in the spring of 1998 as soon as the EC takes the necessary legislative steps.
- **Pfiesteria Hearing:** On September 25, NOAA Acting Assistant Secretary Terry Garcia testified at a House Government Reform and Oversight Subcommittee on Human Resources hearing on human health problems posed by Pfiesteria. Fish kills resulting from Pfiesteria have closed three rivers in MD, and the problem has spread to VA, NC and other Mid-Atlantic states.

DEPARTMENT OF LABOR

- **Tuberculosis:** On October 2, OSHA's proposed standard "Occupational Exposure to Tuberculosis" is scheduled to be published in the *Federal Register*. Publication will initiate the public comment process, permitting OSHA to gather additional information relative to the proposed standard's provisions and their implementation. OSHA plans an education and outreach effort emphasizing the need for a TB standard and the value of public involvement in the rulemaking process.
- **Upcoming Data Releases:**
 - ▶ Sept. 30 - State and Metropolitan Area Employment and Unemployment data for August.
 - ▶ Oct. 3 - National Employment Situation for September, 1997.
- **Welfare to Work:** Earlier this week, the Employment and Training Administration debuted a new Welfare to Work Web Page. The web page is filled with current and useful information about the Welfare to Work initiative.

DEPARTMENT OF TRANSPORTATION

- **Airline Passenger Screening:** Pursuant to a recommendation of the White House Commission on Aviation Safety and Security, DOT and DOJ are reviewing the CAPS program (Computer Assisted Passenger Screening System) designed by the FAA as a part of an overall passenger bag-match system. The White House Commission heard concerns from civil liberties groups that such a system might infringe upon the civil rights of U.S. citizens and recommend such a review. DOJ is expected to issue a public report finding the system as designed does not discriminate impermissibly.
- **Kennedy Airport:** Officials of the Port Authority of NY and NJ have proposed to use approximately \$1.5 billion in passenger facility charge (PFC) revenue to construct a light rail system to provide alternate access to JFK Airport. The city of NY and the airlines serving JFK, represented by the Air Transport Association, are strongly opposed to the project. A final decision by FAA should be made by September 30.

- **AMTRAK:** On September 21, the Presidential Emergency Board appointed to review the dispute between Amtrak and one of its employee groups, the Brotherhood of Maintenance of Way employees (BMWE), submitted its report to the White House. The report supported labor's request for increased compensation across the board, but urged the parties to arbitrate other issues -- benefits, per diem compensation, vacation policies and work rules -- without taking a specific position. If the parties do not reach an agreement by October 21 labor or management may take self help (e.g., strike, lockout, etc.) measures.
- **Welfare to Work:** On September 15, the New York Division met with the New York State Department of Transportation to discuss how their On-the-Job (OJT) Supportive Services Program could assist the welfare-to-work efforts. The State will consider referrals from local social service agencies to assist construction contractors in meeting training goals. The OJT pre-employment supportive services will be expanded to include training for a commercial drivers license.

UNITED STATES TRADE REPRESENTATIVE

- **Appellate Body:** On September 25, WTO members adopted the Appellate Body Decision that found the EU banana regime in violation of the EU's WTO obligations. By October 16, the EU must declare its intentions regarding compliance on bananas. In addition, the U.S. expects the EU to file an appeal in the case involving its beef hormones ban, which the U.S. won at the panel stage. If the EU appeals the hormones decision, the Appellate Body decision should be issued by December 24.

SMALL BUSINESS ADMINISTRATION

- **Hispanic Chamber of Commerce:** On October 2-3, Administrator Alvarez is scheduled to address the U.S. Hispanic Chamber of Commerce Annual Convention in Houston, TX, and the Puerto Rico Manufacturers Association Annual Convention

DEPARTMENT OF INTERIOR

- **Jet Skis Rule:** In October, the National Park Service (NPS) plans to issue an interim rule to prohibit the use of personal watercraft (PWC) in units of the park system, except in areas designated by NPS Superintendents. This interim rule will assist the NPS in managing the burgeoning use of jet skis, wave runners, wave jammers etc. The Personal Watercraft Industry Association is opposed to the ban and will likely ask the courts, Congress, or the Administration to intervene. The EPA is looking into the water quality issue associated with PWCs and possible regulations on manufacturing. While PWCs make up only about seven percent of vessels registered in the country, they comprise nearly 50 percent of vessels involved in accidents and the resulting disproportionate percentage of injuries and deaths.

+ a lot of
protection
can't use
jet skis on
river?

UNITED STATES DEPARTMENT OF AGRICULTURE

- **Chesapeake Water Quality:** USDA is completing an agreement with MD for a state Conservation Reserve Enhancement Program, which will put up to 100,000 acres of land for riparian buffers, wetland restoration, and erosion control methods to protect the Chesapeake Bay.
- **Civil Rights:** On September 29-October 1, in Oklahoma City, OK, the USDA/1890 Task Force will participate in Langston University's centennial celebration. Secretary Glickman will address the formal opening ceremony and participate in the official ground breaking ceremony for the Agriculture Research, Extension, and Education Center on September 30.
- **Public Lands Day:** On September 27, thousands of citizens from across the nation will gather at various national forests and grasslands as volunteers to repair trails, restore stream banks, construct bridges, enhance habitat and much more.
- **USDA Reports:** On September 29, USDA will issue a report identifying trends in land, water, and commercial input use. The report will describe the condition of natural resources used in the agricultural sector, and assess public policies that affect conservation and environmental quality in agriculture. On September 30, USDA will report the details of farm income for the 1996 calendar year, showing that net farm income earned by farm operators was up by \$15.4 billion.

DEPARTMENT OF ENERGY

- **Cassini Mission:** There is significant media and public interest in the mission and there is ongoing discussion of the mission on the internet. The Cassini mission, like all deep space science missions, requires the use of plutonium dioxide fuel. Critics of the program have postulated unlikely scenarios that feature the consequences resulting from the release of plutonium. DOE's analysis indicates the chances of an accident is extremely small -- less than one in a million -- which is comparable to those of missions using these power systems, including Galileo. The mission is waiting approval from the White House for possible launch in mid-October.
- **Historically Black Colleges and Universities (HBCU) Week:** On September 26, a program will be held to celebrate HBCU Week. In a commemorative ceremony, Secretary Peña will recognize William Gray, President of the United Negro College Fund.

DEPARTMENT OF EDUCATION

- **CA Higher Education Access:** The University of California is considering eliminating the use of the SAT in order to boost minority enrollment. A five-year study showed that reliance on grade point averages and a new state exam being developed might increase the pool of qualified Latino applicants by 60 percent.
- **Nickelodeon Event:** Secretary Riley will participate in a September 28 event in D.C. launching Nickelodeon's 1997-98 The Big Help campaign, which encourages school children to volunteer in their communities.
- **Technical Worker Shortage:** On September 29, Secretary Riley will participate in a press conference with Secretary Daley regarding the shortage of technical workers.
- **School-to-Work:** On September 30, Secretary Riley and Secretary Herman will join members of Congress at a satellite press conference to announce the award of 50 new School-to-Work grants to municipalities or organizations that serve youth in high-poverty areas.

ENVIRONMENTAL PROTECTION AGENCY

- **Pfisteria piscicida:** On September 19, Administrator Browner attended the summit on Pfiesteria hosted by Governor Glendening in Annapolis, MD. Participants included governors from VA, DE, PA, NC and WV. Representatives from DOC, USDA and HHS also participated. Administrator Browner pledged the federal government's support to help the states respond to Pfiesteria outbreaks. The governors signed an agreement to coordinate states' responses to future outbreaks. The Administration is making significant headway on the research strategy and expects to release a draft in early October.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Domestic Violence: In recognition of October as National Domestic Violence Month, HHS will release a report to the White House on Domestic Violence. Included in the report is information on the National Domestic Violence Hotline that was launched by you on February 21, 1996. Since then, the hotline has received 118,257 calls from all 50 states, D.C., Puerto Rico and the U.S. Virgin Islands. A vast majority of these calls are from individuals who have never reached out for assistance. The hotline provides crisis assistance and local shelter referrals for callers across the country.

- **HIV in Infants and Children:** On September 29, comprehensive draft guidelines for the use of antiretroviral drugs in pediatric HIV infection will be published in the *Federal Register* for comment. Since most HIV infection occurs during the time that the infant's

immune system is developing, the disease progresses faster among infected children than adults. The guidelines call for an antiretroviral therapy in all HIV-infected infants under 12 months as soon as they are diagnosed.

- **Clinical Trial Costs:** Cooperative Groups, sponsored by the National Cancer Institute to conduct clinical trials of promising cancer therapies, have reached agreements with several health insurance plans in WI and MN to cover the cost of care for patients participating in clinical studies sponsored by the group. Approximately 200,000 people in the region are participating. In the U.S., it is estimated that 3 percent to 5 percent of adult cancer patients participate in clinical trials. Among the factors that may prohibit participation is that cost of care on clinical trials is frequently not covered by the patients' health plans.
- **Women in Clinical Trials:** On September 23, HHS published in the *Federal Register* a proposed rule that would ensure that women are not excluded from participating in early studies of drugs to treat life-threatening diseases just because of their childbearing potential.
- **HIV/AIDS Conference:** On September 29-30, CDC will sponsor the first National Business and Labor Conference on HIV/AIDS in Washington, D.C. The Conference will be a state-of-the-art educational forum consisting of plenary sessions and an array of workshops that address HIV/AIDS in the workplace from the perspectives of human resources, risk management, benefits, and community needs. Secretary Shalala, Surgeon General designee Satcher and Sandy Thurman will be speaking.
- **Pfisteria Meeting:** On September 29-30, CDC will sponsor a meeting of public health officials from the states potentially affected by the *Pfisteria* outbreak. They will discuss the public health response necessary to address the outbreak.
- **Mad Cow:** On October 6, Deputy Commissioner for External Affairs Sharon Smith Holston will lead a delegation of FDA experts to Brussels to discuss with European Commission (EC) officials a number of public health issues, including the potential serious shortage of pharmaceuticals and disruption to trade that would be caused by the implementation of the EC Decision to ban "specified risk materials" (SRMs)-- mainly neurological tissue--from food, pharmaceuticals, other medicinal products, feed and cosmetics associated with the spread "Mad Cow" Disease. The EC decision bans the use of SRMs from cattle, sheep and goats over 12 months of age regardless whether BSE has been found in the countries of origin. The EU refuses to accept the U.S. assertion that it is BSE free. Effective January 1, governments must certify that SRMs were removed from source animals at the time of slaughter.

- **Navajo Nation Medicare Debt:** On September 17, at the request of the Vice President's Office, HHS officials met with Navajo Nation leaders to discuss tribal efforts to obtain reimbursement for thousands of dollars they believe is owed to them under Medicare's bad debt reimbursement provisions. In response to this meeting, Inslee has convened a departmental team to look into these claims.
- **Tribal TANF Plans:** This week, plans may be approved for four tribes to administer Tribal TANF programs effective October 1. The four tribes are the Confederated Tribes of Siletz Indians (in OR); the Sisseton-Wahpeton Sioux Tribe (in SD); the Sokaogon Chippewa Community and the Stockbridge-Munsee Band of Mohican Indians (both in WI).
- **Electronic Submissions:** On September 23, FDA announced the availability of guidance for industry on submitting drug applications and other documents in electronic format. The voluntary submission of records in electronic format should reduce the amount of paperwork for both applicants and FDA. This is the first of a series of guidance documents that will address submissions in electronic format.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **Officer Next Door Program:** Since you announced the "Officer Next Door" program in June, more than 1,500 law enforcement professionals have contacted HUD for information on home ownership opportunities. HUD has accepted 25 contracts for homes from offices, and closed deals on five houses in five different states.
- **Secretary's Schedule:** On October 1, Secretary Cuomo will address a Congressional Black Caucus Luncheon.

VETERANS AFFAIRS

- **Smoking -Related Disability Claims:** VA has met with OMB and Legislative Affairs on legislation that would prohibit the payment of VA compensation to certain veterans for disabilities related to smoking. VA's estimate of the potential impact of tobacco-related claims on the compensation system was provided to the House and Senate Veterans' Affairs Committees on September 19. VA could face a backlog increase to over 1.5 million claims in FY98
- **VA/Medicare Subvention Demonstration:** VA is working with congressional supporters to put the VA/Medicare subvention pilot project legislation on track. Meetings have been held with members of the House Veterans' Affairs and House Ways and Means Committees. VA will base its efforts upon the outcome of an imminent meeting between Chairman Stump and Chairman Thomas. Their agreement is crucial to success in identifying an appropriate legislative vehicle.

- **Homeless Grants:** On October 1, VA will announce grants to public and nonprofit groups to develop new programs to assist homeless veterans. Awardees from 17 cities will receive grants totaling some \$3.3 million under VA's Homeless Providers Grant and Per Diem Program.

SOCIAL SECURITY ADMINISTRATION

- **Swearing-In of Commissioner Apfel:** On September 29, Kenneth S. Apfel will be sworn in as the first confirmed Commissioner of an independent Social Security Administration.
- **SSA Strategic Plan:** On September 30, the Social Security Administration's Agency Strategic Plan will be delivered to OMB and Congress.

UNITED STATES INFORMATION AGENCY

- **Land Mines:** The U.S. decision to withdraw from an Ottawa-led conference to ban the production and use of anti-personnel land mines drew quick criticism from editors around the globe. Pundits agreed with analysts at the conference that support for the "historic" ban was "weakened" without U.S. endorsement. In Oslo, editors termed the U.S. decision a "burning foreign policy defeat." Over the past few days, another minority view more supportive of the U.S. position has emerged. The right-of-center *Ottawa Sun* declared, "The United States rightly refuses to ban mines. ... The United States has a unique military problem in Korea. ... North Korea has incessantly threatened to invade the south and turn Seoul into 'a sea of fire'."

GENERAL SERVICES ADMINISTRATION

- **New FBI Building:** On September 26, Administrator Barram and others will dedicate the FBI's new Washington Field Office Building. This event celebrates the completion of a state-of-the-art facility that meets the FBI's requirements for additional, upgraded, secure space downtown. The building will be dedicated to the memory of the five Washington Field Office agents killed in the line of duty.

cc:

The Vice President
Erskine Bowles
Sylvia Mathews
John Podesta
Franklin Raines
Paul Begala
Sidney Blumenthal
Maria Echaveste
Rahm Emanuel
Jack Gibbons
John Hilley
Mickey Ibarra
Tom Janenda
Janis Kearney
Ron Klain
Ann Lewis
Mike McCurry
Katie McGinty
Bruce Reed
Craig Smith
Doug Sosnik
Gene Sperling
Melanne Verveer

UNITED NATIONS

UN Reform: Ambassador Richardson, attending bilateral meetings with Secretary Albright, urged support for changes in scales of assessment and the SYG's UN reform package. The Ambassador delivered this message to delegations from China, Japan, the Non-Aligned Movement, Indonesia, Korea, and the EU. There is some movement, as indicated by British efforts to develop a reform strategy palatable to the U.S. and the EU.

'97 SEP 29 11:33



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

THE PRESIDENT HAS SPEN
9-29-97

September 26, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: KATHLEEN A. MCGINTY *for*

CC: ERSKINE BOWLES

RE: CEQ WEEKLY REPORT

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COS*

RESOURCE STEWARDSHIP

Yellowstone Agreement

He The Yellowstone agreement concerning New World Mine moved closer to resolution this week. Crown Butte Mines, Inc. struck a deal this week with Margaret Reeb, the Livingston, Montana woman who owns a portion of ore-bearing property in the New World Mine area. For more than a year, she has refused to participate in the agreement and has received sympathetic nationwide press treatment. Crown Butte has offered to pay Ms. Reeb an undisclosed sum of money and allow her to keep her land. The land, however, will be subject to a restrictive covenant barring mining that can only be lifted by joint agreement of the Congress and the President of the United States.

As you know, we made clear in the Yellowstone preservation pact announced by you last year that Ms. Reeb's interests were to be fully protected. We await additional detail from Crown Butte and Ms. Reeb on their agreement but it is clearly a positive step forward.

INTERNATIONAL LEADERSHIP

Climate Change

**** The Department of Energy (DOE) released a study this week stating the United States could reduce emissions of greenhouse gases through technology and avoid huge costs to the economy and wrenching changes in the American lifestyle. The study found that the costs of research and development of technology to reduce emissions could be paid for by energy savings. This study was developed by five DOE laboratories and was peer reviewed by outside professionals. DOE looked at the prospects for developing more efficient vehicles and alternate fuels; more energy-efficient lighting and appliances; energy-saving materials for use in residential and commercial buildings; and improved wind turbines to generate electricity.

Business interest is rising as the White House conference approaches -- and some companies are continuing to express their interest in voluntary commitments to reduce emissions. Notably, a number of steel company representatives came forward to express their willingness to achieve as much as a 10% reduction below 1990 levels by 2010 -- so long as they could do it voluntarily and full flexibility (via joint implementation). We understand that other business leaders, in particular electric utility executives, are developing proposals for early voluntary action commitments.

SUSTAINABLE COMMUNITIES

Transportation bill

Overcoming initial threats to the environmental portions of ISTEA, both the House and the Senate have acted to preserve the majority of the important environmental protections contained in the Administration's NEXTEA proposal. A notable exception is a provision in the House bill that would significantly weaken the protections of the National Environmental Policy Act (NEPA) with regard to the environmental impact of highway projects. We also expect at least two and possibly four floor amendments to be offered in the Senate that would, if adopted, have serious adverse environmental consequences.

11/2 These amendments would, among other things, weaken NEPA and the Clean Air Act standards you recently approved. The Administration will need to take a high profile in avoiding adoption of these amendments. If we can do so, we would be nicely positioned should there be a conference on this bill. However, as you know, the House has announced its intention to pass a six month extension of existing law and leave its reauthorization for consideration in the FY 99 budget cycle. The bill creates the (unavoidable) risk of undoing the good work that has been done in both Houses on environmental issues.

OTHER

Subpoena threat over Utah monument documents

Despite our considerable efforts to afford the House Resources Committee full access to information and documentation about the Utah monument designation, the Committee voted yesterday to grant themselves the authority to issue a subpoena concerning the remaining Utah Monument documents. CEQ and White House Counsel met with Committee majority and minority counsel today in an effort to reach an accommodation, but failed to reach a resolution.

The Committee, spurred by Representative Jim Hansen (R-UT), has invested considerable energy over the past year in delving into the rationale and process related to your designation of the Grand Staircase-Escalante National Monument. Last spring, they requested all documents in our possession and control concerning the Monument designation. CEQ gave the Committee well over a hundred documents. To preserve confidentiality interests in White House decisionmaking, 32 documents that went directly to or from you or involved senior White House and EOP staff were segregated and were made available either to Members only or staff,

depending upon the nature of the document. We, therefore, have fully disclosed all documents. That has failed, however, to satisfy the Committee, and they are insisting on physical possession.

Absent further developments, we anticipate a subpoena will be issued next week. I will be consulting with Chuck Ruff about this matter.

*How can we get
the 500
worse cases
out of
Baltimore.
Defiant project*

d. Approved (213--189) an Administration opposed Representative Hoekstra amendment which prohibits the use of federal funds to provide for a court appointed election officer during the Teamsters' election.

4. FDA Reform Bill: The House version of the FDA Reform bill was passed by the Commerce Committee this week (43--0). The package consisted of three bills: H.R. 1410, which reauthorizes the Prescription Drug User Fee Act (PDUFA) and streamlines the drug approval process; H.R. 2469, which covers the regulation of food products; and H.R. 1710, which overhauls the FDA regulation of medical devices. During intense pre-markup negotiations, the Administration was successful in changing provisions precluding the FDA from reviewing new medical devices for uses other than those for which the manufacturer says they are intended. The Administration won significant concessions on all three bills allowing H.R. 1410 and H.R. 2469 to be unanimously approved and H.R. 1710 to be approved by voice vote.

The Week Ahead

On Monday, September 29 the House will begin consideration of the first continuing resolution for FY98. Under the terms of the continuing resolution, temporary funding will remain at its current level unless the President's budget is below the current rate. In this case the funding level will be the highest of the House, Senate and FY98 request, but in no case higher than current rates. On Tuesday, September 30 the House will resume consideration of H.R. 2267, the FY98 Commerce, Justice, State Appropriations. During consideration of H.R. 2267, the House is expected to vote on the Representatives Mollohan/Shays amendment which strikes the current census language which would effectively bans sampling, and substitutes language allowing the Census Bureau to go forward under their current plan while appointing a blue ribbon commission to make a recommendation on the use of sampling. The Administration supports this amendment.

Senate

1. FY98 Legislative Branch Appropriations Bill Conference Report: On Wednesday, September 24, the Senate passed (90--10) H.R. 2209, the FY98 Legislative Branch Appropriations Bill Conference Report. The \$2.25 billion measure to fund Congress' operations represents a slight increase from the current \$2.2 billion level. The measure is now cleared for the President's signature.

2. FY98 Defense Appropriations Bill Conference Report: On Thursday, September 25, the Senate passed (93--5) H.R. 2266, the FY98 Department of Defense Appropriations Bill Conference Report. The conference report agreed to by the Senate allocates \$247.5 billion for the Department of Defense and related programs. This amount is \$4.2 billion more than the Presidential request. The conference report includes funding for additional B-2 bombers, but the money can be used for improvements of existing aircraft if the President certifies that the new planes are not necessary for our national security. Language requiring withdrawal of U.S. forces from Bosnia by a "date certain" is included in the bill; however, the President is granted waiver authority. In order to utilize this authority, the President must certify that it is in the interest of the national security, provide detailed information on the status of the operation, and seek supplemental appropriations to support continued deployment beyond June 30, 1998. The measure is now cleared for your signature.

3. **FY98 District of Columbia Appropriations Bill:** This week the Senate turned to consideration of S. 1156, the FY98 District of Columbia Appropriations bill. During floor consideration, Senator Coats offered an Administration-opposed amendment providing for the use of school vouchers in the District. Senior advisers recommend a veto of the measure if the school voucher amendment is included in the legislation presented to the President.

4. **FDA Reform Bill:** On Wednesday, September 24, the Senate passed (98--2) S. 830, the FDA Reform bill. The measure streamlines the FDA approval process and renews crucial fees supporting the agency. Sighting both the importance of obtaining a five-year extension of the Prescription Drug User Fee Act (PDUFA) and the recent bipartisan efforts to improve the bill, the Administration offered no objections to Senate passage of the bill. The Administration, however, opposes the section of the bill which precludes the FDA from reviewing new medical devices for uses other than those for which the manufacturer says they are intended. This provision was subsequently worked out in the House Committee reported bill.

5. **Products Liability:** Discussions with Senator Rockefeller on a products liability bill are nearing completion. At that time, Senator Rockefeller will begin to share this language with potential Republican sponsors. In this regard, Senator Rockefeller has kept Senator Gorton closely informed about the progress of our discussions and he is confident that Senator Gorton will join him as a co-sponsor of the bill. The Administration has briefed both the House and Senate Republican leadership on the general outlines of the Rockefeller bill and they are currently debating how to proceed with the legislation.

The Week Ahead

The Senate will resume consideration of S. 25, the Campaign Finance Reform Bill. On Tuesday, September 30, the Senate will vote on the motion to invoke cloture on the Coats school voucher amendment to the FY98 District of Columbia Appropriations bill. The Senate will also continue to process appropriations conference reports as they become available. The Administration expects action on Tuesday, September 30, on a short term Continuing Resolution which would provide funding for existing programs at 1997 levels until October 23.

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

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THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS BEEN
9-29-97

September 26, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Mickey Ibarra CW for MI

SUBJECT: Office of Intergovernmental Affairs Weekly Report -- September 22-26, 1997

CC: The Vice President

I. PRESIDENTIAL INITIATIVES

Education

- ✓ National Testing Initiative: We met with Mayor Miguel Pulido (D-Santa Ana, CA) and a first term Supervisor, Tom Spitzer, (R-Orange County, CA) to discuss your initiatives and the relationship between our office and local elected officials. Mayor Pulido indicated that he had contacted members of his school board to express his support for your standards and testing initiative. He is prepared to continue to talk to the elected officials in Santa Ana and Orange County on behalf of this program. We will work with DPC to bring Santa Ana on board.

Budget

- Fair Labor Standards Act (FLSA): Representative Clay Shaw (R-FL) is attempting to forge an alliance between governors and congressional Republicans on workfare and FLSA requirements. Governors of both parties are concerned about the cost of compliance with FLSA and other labor laws, including payment of the minimum wage, and the cost of FICA taxes for workfare participants. Representative Shaw is working to get governors to endorse a new draft bill. Governors Lawton Chiles (D-FL), Tom Carper (D-DE), and Frank O'Bannon (D-IN) are seriously considering endorsing the proposal. We will continue to work through the DGA and targeted governors to stop legislative support. However, we have reached agreement with DPC to indicate to the governors that the Administration is willing to support legislation that removes the FICA requirement but nothing more. This action will be helpful.

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Fast Track

- Summit of the Mayors: Mayor Emanuel Cleaver (D-Kansas City, MO) hosted the Second Summit of the Mayors in Kansas City, MO, on Friday, September 26. The one-day conference is being held to further the partnership for an international trade corridor that was established at the first Summit with an agreement signed by over ninety Mayors from the United States, Mexico and Canada. Transportation Secretary Slater taped a video for the Summit and Deputy Director Tom Pitak of the Federal Highway Administration also attended the event.

Welfare

- The U.S. Conference of Mayors (USCM) and National Association of Counties (NACo) sent a strong protest letter to Labor Secretary Alexis Herman and issued a press release concerning the draft guidelines for the Welfare-to-Work Formula Grants. In response, we arranged a meeting for Mayor Dennis Archer (D-Detroit, MI) and Commissioner Randy Johnson (R-Hennepin County, MN; NACo President) with Secretary Herman, Bruce Reed, and HHS officials. Secretary Herman committed to revise the guidelines to more accurately reflect the intent of the legislation. Along with DPC, we will assist Labor to ensure both NACo and USCM are consulted throughout the redraft.

II. INTERGOVERNMENTAL CONSTITUENCIES**Governors**

- Governor Mel Carnahan (D-MO): We facilitated a meeting between Governor Mel Carnahan and Jack Lew of OMB to discuss Missouri's Medicaid waiver. The Governor is seeking to expand health care coverage for children at 300% of poverty. Governor Carnahan is able to accomplish the expansion to 200% of poverty under the new children's health program, but needs a Medicaid waiver to expand to 300%. Jack Lew strongly suggested that the Governor submit a state plan to HHS to draw down the children's health funds while the state negotiates the waiver with OMB and HHS. There are significant budget neutrality issues in the waiver, including the usage of illegal provider taxes. We will continue to facilitate discussions with HHS and OMB.
- Governor Bob Miller (D-NV): The Governor was in Washington for the National Governors' Association (NGA) Executive Committee Meeting and came to the White House to participate in meetings concerning his interest in a diplomatic post.
- Governor Paul Patton (D-KY): The Governor has written to you to recommend Bruce Lunsford, who he has known for over twenty years, for an appointment to the National Bipartisan Commission on the Future of Medicare. Mr. Lunsford owns Vencor, the fourth largest company in Kentucky and a successful Fortune 500 company, that has made him a

nationwide leader in long-term healthcare.

- Governor Jim Edgar (R-IL): In a state news release, Governor Edgar commended your rapid response to his request for federal disaster assistance to Cook County families and businesses affected by recent flooding. "I commend the President and his administration for responding so quickly," the Governor said. "This assistance will help people continue the process of rebuilding their homes and businesses." The flooding had caused damage to thousands of homes in Chicago and suburban Cook County communities.
- Democratic Governors' Association (DGA): We will have a strong presence at the Democratic Governors' Association Fall Policy Conference being held in Vermont, September 28-30. Commerce Secretary Daley and Transportation Secretary Slater will speak at the Conference, as will Rahm Emanuel. Fred DuVal and I will also participate.

Attorneys General

 Hate Crimes Conference: A number of the Attorneys General have expressed their interest in participating in the upcoming White House Conference on Hate Crimes. We are working closely with White House Personnel and the Office of Public Liaison to help facilitate their attendance along with other elected officials.

III. INSULAR AREAS

- Puerto Rico Status Choice Bill: The House Republican Policy Committee met on the bill for a Puerto Rico Status Choice and an implementation process for a majority choice. They agreed that the bill should be brought before the House but with amendments that would limit the statehood option.
- Guam Commonwealth Bill: We continued to work with Interior Deputy Secretary John Garamendi and the agencies to develop Administration positions in order to change a wide range of federal positions and policies concerning Guam for a House Resources Committee hearing rescheduled for October 22.
- Puerto Rico Farm Workers Program: The Labor Department decided that Puerto Rico should no longer be funded to provide services to Puerto Ricans traveling to the states to perform temporary farm labor and that a private firm would be funded instead. Officials explained that the insular government failed to adequately correct problems that attracted national media attention. Governor Pedro Rosello (D-PR) asked that the decision be reconsidered. His representatives allege improprieties in the decision and thus they are threatening legal action. We are following up their request with the Counsel's office.
- Marianas Labor System: The House agreed to the funding for mistreated workers in the Northern Mariana Islands. At the request of Representatives George Miller (D-CA) and

9-29-97

Patsy Mink (D-HI), we worked with Legislative Affairs to get OMB and the Justice Department to agree to this allocation.

IV. OTHER ISSUES

- Intergovernmental Affairs Representatives: We hosted a meeting on September 22 with agency/departments intergovernmental affairs representatives to continue our efforts to better communicate your priority issue needs and to more effectively serve elected officials. Chief of Staff Bowles made remarks and the meeting addressed several presidential priorities including Fast Track, climate change and educational standards and testing.
- American Indian Constituency Meeting: I spoke at the DNC American Indian Constituency Meeting in order to provide an overview of our office and specifically highlight our mechanisms for outreach to the Native American community. I reiterated our commitment to Indian Country and our belief in safeguarding the principle of Indian sovereignty.
- Hispanic Constituency Outreach: This week I addressed both the National Hispanic Bar Association and the DNC Hispanic Constituency Meeting. These venues provided an opportunity to build support for your education standards and testing initiative as well as other Administration policy initiatives.

He did a good
job for the group
He spoke in the
He showed how
the work



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF SCIENCE AND TECHNOLOGY POLICY
WASHINGTON, D.C. 20502

THE PRESIDENT HAS SEEN
9-29-97

September 26, 1997

Enlarge report
Gibbons
COS
VP - page 1
COS

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN H. GIBBONS
CC: ERSKINE BOWLES
SUBJECT: OSTP WEEKLY REPORT

CHERNOMYRDIN LAUDS COLLABORATION IN BASIC SCIENCES

I traveled with the Vice President to Moscow for the 9th session of the Gore-Chernomyrdin Commission and a meeting of the S&T Committee, which I co-chair with the Russian Science Minister. Prime Minister Chernomyrdin praised our cooperative work in basic sciences and its contribution to understanding earth's environmental system and global climate change. He specifically noted our collaboration in the Arctic -- despite long-standing sensitivities about security -- and a joint drilling project in Lake Baikal. Drill cores from the lake will provide an unexcelled, high resolution record of climate change in the Eurasian interior over the last 10 million years. The Prime Minister observed that this important information about past climate changes will help guide our future. Chernomyrdin has been an advocate of science and has fought for research and development budget support.

CONTROVERSY BREWING OVER LITHOGRAPHY TECHNOLOGY TRANSFER

DOE recently signed a cooperative research and development agreement (CRADA) between three national laboratories and a consortium of U.S. companies led by Intel Corporation that currently plans to license a key technology for manufacturing semiconductors -- Extreme Ultra Violet (EUV) Lithography -- to foreign manufacturers. If the research cooperation is successful, the new EUV Lithography will enable microprocessors to be 100 times more powerful and memory chips to store 1000 times more information than is currently possible. U.S. semiconductor manufacturers, which control only 10 percent of market share, object to the CRADA, believing it will place U.S. firms at a disadvantage. Upcoming issues of *Business Week* and *U.S. News & World Report* will likely carry stories about this controversy that may feed congressional antipathies toward CRADAs generally. We are consulting with EOP offices, DOE, DOC, DOD, Congress, and industry to ensure that any agreements balance industry's need to commercialize the new technology as quickly as possible with U.S. semiconductor manufacturers' struggle to compete in the global market place.

EUVP
we need to
be sure
about
this
BC

INTERNATIONAL SPACE STATION COSTS INCREASING

OMB, OVP, and our office cleared a letter from NASA Administrator Goldin to House VA/HUD Appropriations Subcommittee Chairman Jerry Lewis and Senate VA/HUD Appropriations Subcommittee Chairman Christopher Bond to inform them that NASA needs an estimated \$430M above the \$2.1B originally requested for the International Space Station in the Administration's budget last February. NASA believes it can fund most of the shortfall within the Administration's overall request of \$13.5B for NASA. They attribute the shortfall primarily to performance problems by the prime contractor, Boeing. NASA estimates additional shortfalls between FY99 and FY02, the period when the International Space Station will be assembled in orbit. In the context of the overall development cost of the program (\$17.4B), the FY98 shortfall is not dramatic. However, as a portion of NASA's annual budget, addressing the FY98 problem and outyear cost growth will create pressure on other NASA program priorities (space science, Mission to Planet Earth, aeronautics, and space transportation). House and Senate conferees meet today to consider action on NASA's request. I will keep you posted as we work with OMB and NASA to address this situation as part of the FY99 budget process.

'97 SEP 26 14:59



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF SCIENCE AND TECHNOLOGY POLICY
WASHINGTON, D.C. 20502

THE PRESIDENT HAS SEEN
9-29-97

September 26, 1997

Encl report
G. Gibbons
COS
VP - page 1
COS

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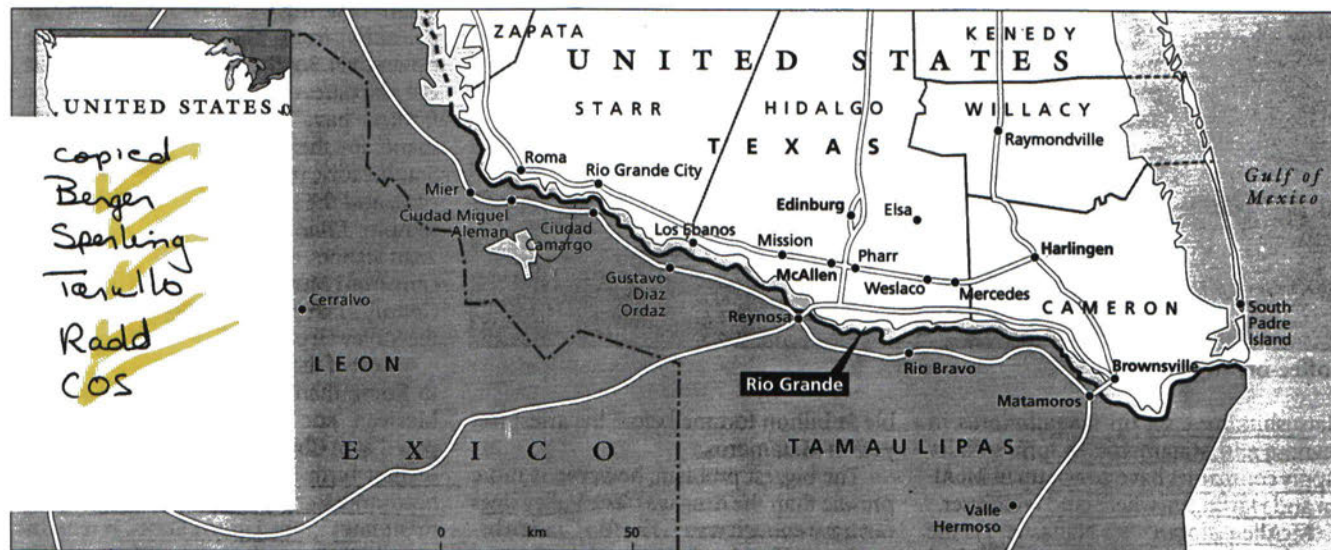
CONTROVERSY BREWING OVER LITHOGRAPHY TECHNOLOGY TRANSFER

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KEEP
we need to
be sure
about
this
DC

THE PRESIDENT HAS SEEN
9-29-97
UNITED STATES

Saucy / Gun / DTorillo / VBadel
Fyl - good piece PK



One river, one country

MCALLEN, TEXAS, AND MATAMOROS, MEXICO

At the eastern end of America's border with Mexico, Americans and Mexicans live and work together

THE bumpy road to the Los Ebanos ferry winds through fields of sugar cane and spills out on to a leafy bend of the Rio Grande. It is a surprisingly small river, narrower than a couple of lengths of a smallish swimming pool, green, silted with pollution, sour-smelling in the heat. Yet it is also the cord that binds this region, called the Valley, together.

A rope-drawn ferry at Los Ebanos offers a return trip to Mexico for a dollar. In truth, though, it is no great feat to cross without it. After the lone Border Patrol agent goes home at supper time you can sit in the twilight and watch young men slipping into the water on the Mexican side, thrashing across in search of the American dream.

The border crossing at McAllen-Reynosa, to the east, is somewhat busier, with 12m crossings each year. The air there is acrid with the exhaust fumes of lorries waiting to clear customs and carloads of Texans heading to Mexico for a romantic dinner. Mexicans coming the other way flash their border-crossing cards (which are valid only for the Valley) and head for the mall in McAllen or for the homes of their cousins. Locals say the border is little more to them than a toll-bridge with an irritating queue. When a film opens a week early in McAllen, film buffs in Reynosa flock across the border for a sneak preview.

Amid all the talk of border patrols and protectionism, it is easy to lose sight of the obvious. The Texas-Mexico border is porous. It is porous when it wants to be, in trade and traffic between the border towns; and when it does not want to be, in the unceasing flow of drugs, contraband and undocumented workers.

The lower Rio Grande valley is a country apart. Separated from the American and Mexican heartlands by a blazing furnace of desert, the Valley has developed a distinctive blend of cultures. Mexicans play baseball; Americans eat fajitas. Texan supermarkets operate in Mexico, Mexican companies build warehouses in Texas. The two countries remain distinct only in their earnings potential: a graduate engineer in Matamoros earns less than a shop assistant across the river in Brownsville. The scale of the present growth may be unprecedented, but the principle is old enough. After all, when the Union navy closed down Confederate ports in the civil war, Texans responded by exporting their cotton through Matamoros.

The Valley used to be an agricultural backwater, where children would rise with their parents and work the fields until dusk. When it rained, raw sewage would flood the dirt roads. Education was a luxury. Today, the Valley is a connected, dy-

namic, NAFTA-driven economy of 3m people (2m in Mexico, 1m in Texas) of whom 90% are Latino. The same children who worked the fields now attend college, work in high-tech *maquiladoras*, or serve the needs of the fast-growing supply, retail and tourist industries. A society of white landowners and Mexican peons has given way to an urban Latino middle class.

The 1982 peso devaluation crippled the Valley economy. By contrast, the 1994 devaluation barely slowed economic growth. The reason was a more diversified economy. Tourism, manufacturing, supply manufacturing and health care now complement agriculture. Retail sales in Texas cities bounced back strongly from the peso collapse, rising by \$300m in 1996 to \$5.5 billion. "Everyone's got a theme park. We ain't got a theme park," explained one Valley politician; "Mexico's our theme park."

It is more than that. The future growth of the Valley hangs less on under-age college boys in search of tequila than on *maquiladoras* which assemble duty-free materials with cheap Mexican labour into products for export back into the United States. In the developing world, only China has received more inward investment than the Mexican border region. It is not hard to see why. *Maquiladora* labour costs still average \$7 a day. Reynosa now has 187 *maquiladoras* employing 42,000 workers. Matamoros has several industrial parks, including a large General Motors plant.

A visit to the *maquiladoras* banishes images of Dickensian sweatshops. Some companies even operate clean-room technology for delicate electronic manufacturing. Workers, as one manager points out, often enjoy better conditions at work than at home. Since the coming of NAFTA, foreign companies including BMW, Sony and

UNITED STATES



Coffee-break in Roma

Matsushita have set up *maquiladoras* in Reynosa and Matamoros. In turn, smaller supply companies have grown up in McAllen and Harlingen, where land is cheaper.

McAllen (slogan: "It's Naftastic!") is the third-fastest-growing city in the United States and one of the cheapest in which to do business. Despite a 7% job-growth rate, unemployment runs at 16%. The city has concentrated on education and infrastructure to improve its prospects. The South Texas Community College has grown from 600 to 6,000 students in three years, and the city offers to train employees for companies coming in. The Texas State Technical College in Harlingen serves a similar purpose. The University of Texas Pan-Am in Edinburg ("Taco-Tech") has seen enrolment grow by 400% since 1987.

The region's cities on the American side are fiercely competitive for federal dollars; there are, for example, five international airports in a 50-mile radius. But they are trying to work together. Recently, they have combined to try to attract major-league baseball clubs for spring training. Officials are co-operating to bring I-69, the proposed Montreal-Mexico City freeway, through the Valley, a case strengthened by the fact that the region remains the largest urban area in the United States without an interstate highway. There is talk of consolidating cities on both sides into a single metropolitan sprawl known as "Borderplex".

The darker side

For all the legitimate growth, it is impossible to ignore the presence of drugs. Even its boosters admit that the Valley economy is afloat with drug money; perhaps as much as \$20 billion of it. Off the record, retailers confess that at least 15% of their sales are paid for with drug money. Few locals, of course, admit to knowing anything of the drug trade. "If it's here," says one businessman, "it exists in a dimension that does not affect the lives of most people." This may be true on the Texas side; it is less so in Mexico, where Garcia Abrego built up an implausi-

ble \$1 billion fortune before his arrest last year in Matamoros.

The biggest problem, however, is more prosaic than the drug war. The Valley does not have enough water. The Rio Grande basin has suffered a four-year drought. The Falcon Dam reservoir is running low, and McAllen is in the second stage of an emergency water-conservation plan. Experts say the river cannot support the present level of use. If restrictions are tightened, farmers, who use 90% of the present water supply for irrigation, will be hardest-hit.

Agriculture is still the backbone of the Valley economy, and farm workers account for the peculiar settlement patterns. A small unmarked town can be home to 20,000 people because of the existence of *colonias*. These were originally shanty towns without power or water, the first (and often the last) step on the housing ladder for illegal immigrants. To drive through a *colonia* is, in effect, to be in Mexico. Many houses are still dilapidated; others have been upgraded haphazardly. As cities expand, they are being forced to incorporate and supply utilities to *colonias*, which has improved conditions a little; but local doctors fear that recent changes in eligibility for food stamps will inevitably lead to more widespread malnutrition. The nearest public hospital for children is in Galveston, eight hours away.

Mexican ambivalence about the environment, though improving, is still damaging the Rio Grande. Activists say Reynosa, in particular, is guilty of pumping raw sewage into the river. Ecology has become an important issue, not least because the Valley markets itself as an eco-tourist destination. Some 90,000 winter Texans—retired folk from the mid-west and Canada—put \$230m a year directly into the local economy. Many encourage their old employers to set up in the Valley.

The western and eastern extremes of the Valley could not be more different. Roma, on the arid western fringe, resembles a town from a melancholy spaghetti western.

Derelict buildings are trawled by Border Patrol agents. The town, 98% Spanish-speaking, has 27% unemployment, an average weekly wage of \$235, and—apart from a smart new high school—no sign of any overspill from the growing economy down-river. South Padre Island, on the eastern seaboard, is rich and worldly. In Roma, farmers have difficulty making the payments for their second-hand pick-ups. In South Padre, residents pay for jet-skis with cash, and the skyline, thick with hotels, resembles Miami. Last year the island had 2.5m visitors, many of them wealthy Mexicans from Monterrey who filled Cameron County's tax coffers and provided traffic for the Valley airports.

Most of the region remains poor, closer to Roma than South Padre. Although the Mexican side is relatively affluent (compared with Chiapas), the Texan side has the highest birth rate, the lowest income per head and some of the highest unemployment rates in the United States. It remains parochial, dependent on welfare, and its image suffers from being on the front-line of the war against drugs and illegal immigration. Still, the economic advances of Latinos in the Valley add an instructive and optimistic note to America's racial debate. "This is the only place in America where Latinos feel at home, where they are in the majority," says Ivo Slavic, a professor at UT-PanAm. "There is no defensiveness. They are happy for what they are and quite unaware how small their world is."

Foreign trade

A clash of hemispheres

WASHINGTON, DC

TRADE is a tetchy subject in Washington these days. President Clinton has made it clear that securing fast-track negotiating authority from Congress is at the top of his policy priorities; but now that he is back in Washington, he is finding (as Chile, see page 33, has found for years) that the fast-track process is far from fast. In fact, it is proving difficult even to get it started.

The administration was due to send



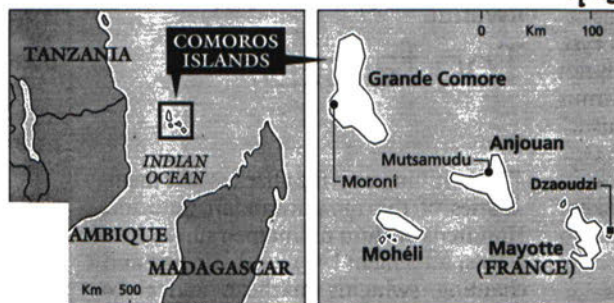
INTERNATIONAL

not military action.

The secessionists had asked that they should be allowed to return to the colonial nest. This is not altogether surprising. The latest tremors in Comoros had less to do with Mr Taki's rule than with Mayotte in the archipelago. Mayotte had voted to remain with France. With all the talk of collectivism and minimum wages—the too sharp a Mohéli, where GDP per

In a bid to end the civil war, and keep the island under French command the

*Copied
VP
McGinty
COS*



- 7 would be only too happy to unload this
- costly relic. Attempts by destitute
- Anjouanais and Mohélians to cross the
- shark-infested waters to the French island
- have been steadily rising—3,500 people
- were turned back in 1996. This embarrasses
- France. But the Mayottais, not unnaturally,
- fiercely resist any thought of freedom.
- 3 A three-cornered fight is brewing be-

THE PRESIDENT HAS SEEN

9-29-97

tween France, the Moroni government and the would-be separatists. There could well be more violence before all this is settled. Machete sales on Grande Comore have sky-rocketed in recent days, prompting fears for the island's Anjouanais community. The Organisation of African Unity is currently trying to mediate in this dispute; if their efforts in the Comoros islands prove as inept as they have elsewhere on the African continent, a bloodbath could ensue.

At the end of it all, Anjouan and Mohéli can probably hope for nothing better than greater autonomy within the federation. It is the Mayottais who have the most to lose. The days of the tricolour on Dzaoudzi, Mayotte's capital, could be numbered.

Phew, the ozone layer may be saved

To VP/KMcGinty Fyler-AC

TEN years ago, 24 countries signed the Montreal Protocol, agreeing to curb and eventually eliminate the production and use of ozone-munching chemicals. They are now back in Montreal to assess how they have done. Not badly, is the good, green answer.

The ozone layer shades the earth. On average, it is about as thick as the cover of a hardback book, but in places it has become as thin as a paperback cover. A patchy ozone layer is worrying. If too much ultra-violet radiation gets through, it reduces farm yields and leaves people with skin cancer and damaged eyes. So the Montreal Protocol is a programme to whip the layer back into shape by reducing the use of chlorofluorocarbons (CFCs) and other ozone-eating compounds.

Overall, it has done this. The protocol has twice been toughened without fuss. The number of signatories has risen to 163. Rich countries have kept to the timetable, and poor countries have joined

projects for substituting CFCs with less sinister stuff. One example: refrigerator manufacturers in Egypt, China, Jordan and Brazil have gone a long way towards replacing CFCs in their models with cleaner-and-greener alternatives.

The effort is beginning to pay off. Researchers have found that the accumulation of ozone-consuming compounds in the lower atmosphere is either declining or slowing down. Antarctica's ozone "hole"—actually, an area of varying thinness—is not yet closing. This is because it takes years for the compounds to reach the ozone layer's home in the stratosphere, 15-50 kilometres (10-30 miles) above the earth. But fewer ozone-eaters in the lower atmosphere mean that the ozone layer should eventually heal itself, perhaps by 2050 or so.

Problems persist. One is smuggling. The protocol introduced restrictions and man's ingenuity quickly got round them. CFCs are a smuggler's dream: odourless and colourless, they can be used in everything from air-conditioners to foam, and their replacements never quite match up to them. In Miami, for a time, only cocaine had more street-value than CFCs. Under the two-speed rules of the protocol, rich countries are no longer allowed to use them, but can sell their stockpiles; poor ones can still use and make them but can export them to rich countries only if they are shipped on to poor ones. Old CFCs can be reused.

Smugglers use the obvious loopholes, selling newly-produced CFCs as recycled, and sending supplies to Europe and America without any intention of re-export. Enforcement has been a bit feeble:



some Chinese producers advertise their wares on the Internet. Illegal trade amounts to roughly 20,000 tonnes a year. This is one good reason why the original goal of stabilising the volume of CFCs by 2000 will not be met.

Another problem is ozone fatigue. Governments tend to think of the ozone hole as yesterday's problem, and there may not be the resolve to finish the business. A test case will be whether the World Bank gets the pledges it needs to shut down Russia's CFC production. The bank made a deal with Russia to do so, but has managed to raise only \$15.5m of the \$27m required. Considering the stakes involved—Russia is the major CFC smuggler—the cost is tiny.

Is the Montreal Protocol a model for negotiations on the much tougher problem of global warming? Probably not. The thinning of the ozone layer presented risks that were widely accepted: people fear skin cancer. There are a limited number of CFC suppliers, alternatives are available and America led the campaign. But the risks involved in climate change seem more remote—and everybody who drives a car produces carbon dioxide.

Thinning on top

Ozone concentration over Antarctica (Dobson units*)



Will they cell?

KNOCKING the internal combustion engine off its perch by developing clean-running electric vehicles has long been a green dream. A year ago, that dream seemed more real when General Motors launched the EV1, a two-seat battery-powered car. But the EV1 has flopped since its launch in Arizona and southern California last autumn. Available only on lease (at \$475 a month, the same as a Cadillac), the nippy sports car that hums eerily to 60mph (97kmh) in eight seconds has lured a mere 216 pioneers.

But if batteries are flat, fuel cells are fizzing. At the Frankfurt Motor Show in early September two car makers, Mercedes and Toyota, unveiled versions of standard cars fitted with electric motors powered by fuel cells. In both Toyota's RAV4 and Mercedes's A-class small car the tank is filled with methanol, which is converted into hydrogen to feed the fuel cell. In the fuel cell the hydrogen reacts with oxygen to produce electricity and harmless waste water.

Fuel cells were invented 156 years ago—before the internal combustion engine. Until now their main use has been on space craft. But most of the leading car companies have

been secretly developing them for cars. Last year Mercedes (a division of Germany's Daimler-Benz) startled its competitors when it unveiled an electric van powered by a fuel cell. This was proof that it had made dramatic progress towards reducing the bulk that is the main obstacle to using fuel cells in cars.

Earlier this year Daimler-Benz bought a 25% stake in Ballard Power Systems, a Canadian company that is thought to have the field's most advanced technology. Together, the two firms are spending about \$400m to produce the first fuel cell small and cheap enough to power an or-

dinary car. The boss of Mercedes, Jürgen Hubbert, said this week that the German firm is determined to be the first car company to market a fuel-cell car and hopes to do so in about eight years, once production costs match those of petrol and diesel engines.

There has already been some progress. Ballard can now make fuel cells that cost and weigh less than a fifth of what they did in 1990—though a complete power system for a vehicle is still eight times more expensive than the equivalent conventional engine.

Toyota was thought to be several years behind Ballard, but its ability to squeeze a unit into the small RAV4 off-road vehicle shows that the Japanese firm is making progress. Like Mercedes, Toyota sticks much of the chemistry out of sight under the high floor of the car. Toyota is spending \$800m or so a year on a range of alternative cars, including a hybrid using petrol on the open road and batteries in town.

Doubters say that alternative vehicles will never make more than a tiny impact on the market. But at the turn of the last century it took petrol engines about a decade to displace the (battery) electric motors which powered most early automobiles. Fuel cells may yet stage a comeback.



Back to the drawing-board

medical bills from 10% to 20%. Now that Japanese people are paying more of their medical expenses themselves, they are getting choosier about where and how they buy their health care. That is happening just as the widely abused drug-reimbursement scheme is being phased out, depriving hospitals of their principal source of cash.

Slothful medical suppliers will suffer from these cuts, but the smarter ones are spotting new opportunities. One of the most lucrative is "low-invasive" surgery, in which doctors operate without slicing such big holes in patients' bodies. Because such operations take less time to recover from, hospital stays are shortened. For example, removing blockages in the blood vessels of the heart by conventional surgery requires four to five months in hospital in Japan. But a patient can be discharged after only a week if treated with low-invasive angioplasty. The Ministry of Health and Welfare is encouraging this trend by awarding bonus payments to hospitals that get patients out in less than 20 days.

Terumo, Japan's largest manufacturer of disposable medical supplies, saw sales

increase last year by more than 13% to ¥137 billion while profits soared 27% to ¥23 billion, thanks largely to its new range of cardio-vascular catheters used for angioplasty. Cheered by its success in this field, Terumo is now developing microscopic catheters to treat cerebral thrombosis and even for delivering medication to cancerous growths.

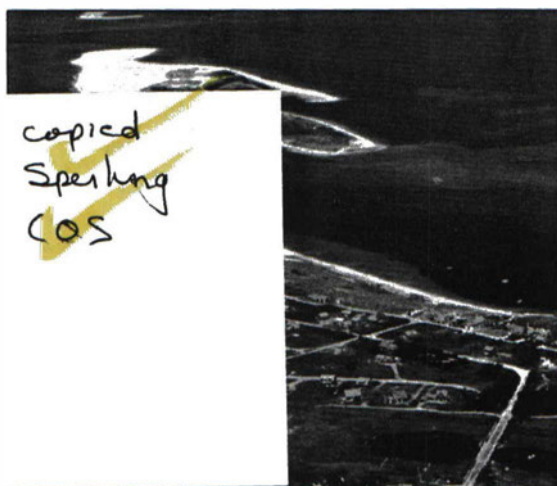
In a similar vein, as it were, endoscopic surgery is becoming increasingly popular. This uses thin, flexible "light tubes" to let a surgeon peer inside the body and make repairs via a small incision. Originally designed for removing gallstones, endoscopes are now being used in more than 40 different types of surgery in Japan. Olympus Optical, a camera company, has acquired 70% of the world market for endoscopes, which now account for half of the company's annual sales of ¥310 billion.

Strictly medical firms are not the only ones to gain. As austerity bites, hospitals and clinics are seeking to save money by outsourcing their paperwork. Nichii Gakkan, a small Tokyo firm that trains medical accountants, has grabbed over half of what was a ¥70 billion business last year.

This accounts for an estimated 20% of hospitals' total billing expenses, so there is room for continued rapid growth. The savings from outsourcing clinical tests have been so great that over 90% of them are now contracted out.

Another good idea is to look outside hospitals altogether. The government is promoting home treatment because it is cheap. Terumo has developed a range of portable peritoneal dialysis machines and home infusion-therapy equipment which allows patients to have transfusions without supervision. Paramount Bed, Japan's largest hospital-furniture supplier, with ¥49 billion in annual sales, is concentrating on therapeutic beds for the home now that hospital orders are drying up.

Japan's private health-care sector is still far smaller than America's, and much less diverse. The for-profit managed-care firms that force American hospitals to squeeze costs are unknown in Japan. But by 2000 Japan will have a greater proportion of people over 65 than any other country. Sooner or later the country will have to contract out a whole lot more of its health services.



Nantucket deserves credits

area that supplies the region's water.

Under the plan, new construction is forbidden on 53,000 acres. Property owners lost the right to develop their land but were issued Pine Barrens Credits in compensation. The credits can be sold either to a publicly financed clearing house or to a developer, who may use them to build more than would otherwise be allowed in certain nearby areas. Developers were du-

bious at first, but the programme is beginning to take off. Some 200 TDRs have hit the market. The first sold late last year for \$7,500; now the price is nearing \$20,000.

The concept is starting to spread rapidly. The state of Maryland has 11 TDR programmes, and is thinking of going statewide. Pennsylvania would like to get started; so might Nantucket, a resort island in Massachusetts concerned that scattered development is spoiling its village character.

Not all the attempts have succeeded. The most common mistake is to allow developers

to build without TDRs, degrading the value of the permits. The process can also fail if the area covered is too small, since there will not be enough buyers or sellers to get a market moving. But because the right to develop is only part of the value of a parcel of land, TDRs do preserve land at less than its full value—while shifting the cost from the government on to nearby residents who will benefit most.

THE PRESIDENT HAS SEEN
Pension reform 9-29-97

A model shows its age

CHILE'S radical pension-system reform has become the stuff of textbooks. Since 1981, when the country shifted from a taxpayer-financed retirement system to one in which individual workers must save for their own old age, imitators from Argentina to Hungary looked to Chile as the model for their own pension reforms. But after 16 years, the much-vaunted Chilean model is beginning to show some strains. The textbooks may soon be revised.

Until recently, Chile's experience has seemed too good to be true. By law, workers must put 10% of their monthly wages into one of 13 private funds. These funds have grown exponentially, and now manage \$33 billion, equivalent to 40% of GDP. This huge pool of savings helped develop the country's financial markets and fuel its rapid growth. Amid the sweeping economic liberalisation of the 1980s, strong bond and share prices helped funds to an average real return of 14% annually.

This could not go on forever. Pension-plan returns were negative in 1995 and reached only 3.5% last year. Although real returns have rebounded to 8.0% so far this year, the less bubbly results have drawn more attention to the system's problems. The main ones are two: sky-high marketing costs and poorly diversified portfolios.

The mutual funds, called AFPs, compete for Chilean workers' pension assets. Between them the AFPs employ 18,000 salespeople—one for every 300 active workers. Since all civilians with regular jobs are already in the system, the marketers spend their time inducing workers to switch funds. One worker in four did so in 1996.



Better diversify

The costs of all this, of course, are included in the fees workers pay.

If the funds competed by touting low fees, high-cost funds would eventually be forced out of business. But regulation has kept this from happening. In the interest of fairness, AFPs are required to have the same fee structure for all their customers. This keeps everyone's fees about the same, but it also keeps employers from negotiating lower rates on behalf of their workers. Returns are pretty much the same from fund to fund as well. For that, too, thank regulation. To ensure at least a minimal return for workers, the law requires each AFP to keep reserves and draw from them in any year in which its yield falls two percentage points short of the average return for all funds. This creates an incentive for portfolio managers to play it safe, making investments similar to those of their competitors.

Chile's other main misstep was to limit the investment options of the AFPs too much. This was deliberate; forcing the funds to keep most of their assets in government bonds and banning foreign investment were seen as ways to assure the security of pensioners' money, and also helped domestic financial markets to develop. The AFPs may now hold up to 12% of their assets abroad, but the residual effect of the restrictions remains. Less than 1% of the AFPs' assets are in foreign securities, leaving Chilean workers excessively exposed to the ups and downs of Chile's economy.

The first of these lessons has not been lost on Bolivia and Mexico, both of which privatised their pension systems this year. The Mexican system, which receives its first deposits this month, will allow workers to switch funds only after a year. Fund managers may offer discounts on fees and sell funds with different levels of risk, without guaranteeing a minimum return. Bolivia is seeking to minimise administrative costs by granting licences to only two fund-management companies, which bid for the privilege. This is meant to avoid the high costs that would be inevitable if many fund companies were competing for the savings of the 300,000 initial participants.

Neither Mexico nor Bolivia, however, has taken the second lesson from Chile's experience. Both require fund managers to invest almost all of their receipts domestically, mostly in government bonds. This increases the risk that the pension funds will not generate the returns needed to pay adequate pensions.

In Santiago, meanwhile, the congress is debating whether it is time to reform the reforms. The basic framework of the scheme seems unlikely to change, but some of the key regulations might. When it comes to the details of putting pension privatisation into practice, even trend-setters have something to learn.

MIKE BENKO
11608 HAPPY CHOICE LANE
NORTH POTOMAC, MD.

phone 301-294-0792 20878

9/26/97

Send to Dorskind?

Yes ☒

No ☐

C.

(cc: Betty Currie) ✓

July 14

Dear President Clinton, 1997

27 SEP 26 PM 4:18

My name is Michael Benko and

I'm going into 5th grade, I am writting
this letter to help stop home work.

Will you help me? Homework is bad because
I could be with my family or playing
with freinds or reading books **that I choce**
or going to the pond to chatch
turtles bullfrog tadpoles and frogs.

If you will help please call me at
EOI 294 0792 or write at 11608

Happy Choice Lane, North potomac

Maryland 20878

Sincerly Michael Benko



Special Olympics
International

'97 SEP 26 PM4:18

September 23, 1997

Ms. Betty Currie
The White House
Washington, D.C. 20005

Dear Betty:

Thank you for your kindness in speaking with my assistant yesterday in regard to Mr. Shriver's September 11th letter to the President. Mr. Shriver is presently abroad, but since his letter hopefully asks the President to choose a date for a dinner at his home in the mid-October to late November time frame, I am taking the liberty of forwarding a copy of the letter directly to you. The dinner will honor rock and roll stars who have given their time and energy to promote Special Olympics.

Since one gets the impression that both the President and Mrs. Clinton are rock and roll fans, Special Olympics humbly and anxiously looks forward with anticipation to a favorable reply and a saxophone solo!

Sincerely,

Jeannie Main
Assistant to Sargent Shriver

9/26/97

Send to Scheduling?

Yes ☒

No ☐



Special Olympics International

September 11, 1997

The President
The White House
Washington, D.C.

Dear Mr. President:

Would you be free and interested to come to our house in Potomac where we intend to have a memorable banquet in honor of the unprecedented galaxy of rock and roll musicians whose music has earned Special Olympics approximately \$50 million and whose services for this charity have been totally free-of-charge?

Never before in the history of American music has there been such an unqualified endorsement of any charity by such an array of America's greatest stars. Never before has such a galaxy of rock and roll and jazz stars ever come to the Washington area.

There is attached to this letter the names of all the stars who have sung songs on these three albums. Some people are already telling me that the third album may turn out to be the best of all, and since the other two have been tremendous successes the third will be miraculous if it actually surpassed the two previous albums.

Am I inviting you to come to this dinner in order to raise money for Special Olympics, or gain publicity for the Special Olympics Movement, or satisfy our own egos? The answer is "no" to each of those questions.

The sole purpose of the dinner is to thank the artists for what they have done, free of any charge, for a private philanthropy now operating in 145 countries and which in the next few years is destined to operate in 150-155 countries. Never before has any private philanthropy made such almost unbelievable progress in such a short time.

1,200,000 athletes now participate in Special Olympics every year and throughout the year. 1,000,000 Volunteers work in Special Olympics year round. One and one-half million parents and siblings of the athletes participate in many ways in the Special Olympics Movement, -- of course, free of charge. So the cost of Special Olympics is the least of any sports organization in the world, less than \$125 per annum per athlete.

Page 2
September 11, 1997

Experts tell us that two million athletes will be in Special Olympics by the year 2001, maybe three million by 2010, and four or five million by 2020. No athletic program has ever reached, let alone exceeded that number of athletes as registered annual participants.

It all started right here in the State of Maryland about 15 miles from the White House. It has been managed throughout its history by devoted Americans and foreigners, all working within six blocks of the White House. An extraordinary galaxy of America's greatest popular stars and musicians have produced these albums.

We estimate that of the total musicians involved some 25-30 will actually come to the banquet in their honor. I think you will know the names and the songs of every one of these famous artists.

Do we intend to make this evening into some kind of razzle-dazzle event? No, we don't. If thirty of these celebrated musicians come, and come and bring their wives, husbands or girlfriends, we would be delighted. None of them will be seeking publicity. In fact, we will be trying to keep this extraordinary evening out of the gossip columns and even out of the news. This idea has one purpose, namely, to thank these men and women so that they will know that their efforts have made it possible for Special Olympics to help people all over the world.

We don't intend to invite a host of Washington luminaries. This is a party for the stars, not for the Shrivvers. We invite you especially because you can best tell them how much good they have done for American music in general, and for charity; and if you wish, you could even play your saxophone for them or dance with them without worrying that the Shrivvers or Special Olympics itself will be busy trying to publicize this event, or cause you trouble or difficulty. In fact, there is plenty of acreage at our house which would enable you to fly by helicopter and return without being bugged even by our next door neighbors. Your coming and going could be as private or more private than your activities on Martha's Vineyard!!

The purpose of this dinner is exclusively to thank these extraordinary musical geniuses for their free services to Special Olympics. Because you are such a famous lover of rock and roll we thought you and Hillary would enjoy the people at the party and the opportunity to listen to the music our guests all have written or performed.

Page 3
September 11, 1997

Suggested dates for your consideration include any evening from the middle of October to the end of November. A weekend date would probably be the best for the artists, most of whom work and live in California. But all of them would agree that whatever date is best for you and Hillary is best for them.

Respectfully yours,

A handwritten signature in cursive script, reading "Sarge Shriver". The signature is written in dark ink and is positioned above the printed name and title.

Sargent Shriver
Chairman

A VERY SPECIAL CHRISTMAS

The Pointer Sisters

"Santa Claus Is Coming to Town"

Eurythmics

"Winter Wonderland"

Whitney Houston

"Do You Hear What I Hear?"

Bruce Springsteen and The E Street Band

"Merry Christmas Baby"

The Pretenders

"Have Yourself A Merry Little Christmas"

John Cougar Mellencamp

"I saw Mommy Kissing Santa Claus"

Sting

"Gabriel's Message"

Run-D.M.C.

"Christmas In Hollis"

U2

"Christmas (Baby Please Come Home)"

Madonna

"Santa Baby"

Bob Seger & The Silver Bullet Band

"The Little Drummer Boy"

Bryan Adams

"Run Rudolph Run"

Bon Jovi

"Back Door Santa"

Alison Moyet

"The Coventry Carol"

Stevie Nicks

"Silent Night"

A Very Special Christmas 2

Tom Petty And The Heartbreakers
"Christmas All Over Again"

Randy Travis
"Jingle Bell Rock"

Luther Vandross
"The Christmas Song"

Frank Sinatra/Cyndi Lauper
"Santa Claus Is Coming To Town"

Boyz II Men
"The Birth of Christ"

Jon Bon Jovi
"Please Come Home For Christmas"

Paul Young
"What Christmas Means To Me"

Aretha Franklin
"O Christmas Tree"

Bonnie Spector/Darlene Love
"Rockin Around The Christmas Tree"

Michael Bolton
"White Christmas"

Run D.M.C.
"Christmas Is"

Extreme
"Christmas Time Again"

Bonnie Raitt and Charles Brown
"Merry Christmas Baby"

Tevin Campbell
"O Holy Night"

Debbie Gibson
"Sleigh Ride"

Vanessa Williams
"What Child Is This"

Ann & Nancy Wilson
"Blue Christmas"

Wilson Phillips
"Silent Night"

Sinead O'Connor
"I Believe In You"

A VERY SPECIAL CHRISTMAS 3

Sting

"I Saw Three Ships"

The Smashing Pumpkins

"Christmastime"

Natalie Merchant

"Children, Go Where I Send Thee"

Reverend Run and The Christmas All Stars (Mase, Puff Daddy, Snoop Doggy Dogg,
Salt n' Pepa, Onyx and Keith Murray)

"Santa Baby"

No Doubt

"Oi to the World"

Sheryl Crow

"Blue Christmas"

Blues Traveler

"Christmas"

Enya

"Oiche Chiun" (Silent Night)

Hootie & The Blowfish

"The Christmas Song"

Chris Cornell w/Eleven

"Ave Maria"

Mary J. Blige

"Christmas in the City"

Jonny Lang

"Santa Claus is Back in Town"

Dave Matthews

"Christmas Song"

Steve Winwood

"Christmas Is Now Drawing Near at Hand"

Tracy Chapman

"O Holy Night"

Patti Smith

"We Three Kings"

9129197

THE PRESIDENT HAS SEEN
9-29-97

Cas
Cham

Todd,

I will send to Jim once you have seen

C.

MEMORANDUM

FROM:

SUBJECT:

WANDA NAPIER
CORRESPONDENCE

I don't see how you do
it then - all you do
is: This must be my letter
to John Hilley
Bk

I attach for your signature a proposed reply (and related materials) for Wanda Napier, whose correspondence was the subject of Representative Kaptur's diatribe on Tuesday. I hope you know how upset and contrite my staff is that our error contributed to any embarrassment on your part. We work very diligently to avoid just this sort of thing, and it's frustrating that one incident like this undermines all of the good work done on your behalf in this department every day. We are redoubling our efforts to ensure proper handling of every piece of mail we receive.

The letter for your signature is at Tab A. It has been cleared by John Hilley. The incoming letters and our unfortunate form replies that Representative Kaptur discussed with you are at Tab B. I have drafted a letter for my signature, as well, apologizing to Ms. Napier for the mishandling of her correspondence, and that letter is at Tab C.

There is additional correspondence that you should know about, however. Ms. Napier first wrote to you about this issue in November 1996, identifying herself as a local union president. Her letter was referred properly to Agency Liaison as casework. It was sent to USTR, which in turn had it referred to the Department of Labor. Regrettably, it took some time for Labor to respond. But when it did so, in July, their response noted that Ms. Napier had, in fact, been accepted into a training program and declined to participate because she had found other employment. This correspondence is at Tab D.

It seems clear that the Department of Labor did carefully review Ms. Napier's individual situation, although it should have responded much more expeditiously. It also seems clear that no effort was made to embarrass the Administration over this particular delay (which Agency Liaison is working to prevent in future cases), because it would have revealed that the training program is working. Nevertheless, we have drafted the responses from you and me based only on what Ms. Napier wrote to you.

THE WHITE HOUSE

WASHINGTON

September 18, 1997

Ms. Wanda J. Napier
Route 4, Box 3810
Marshfield, Missouri 65706

Dear Wanda:

Thank you for writing to tell me about the loss of your job at Lee Apparel Company and of your coworkers' similar plight. I regret that my staff mishandled your correspondence and that I haven't had an opportunity to address your specific concerns until now.

I know that it is very difficult for long time employees to face the prospect of unemployment. We worked hard with Congress to pass specific worker retraining, unemployment benefits, and adjustment assistance legislation to help American workers who lose their jobs because of trade with Mexico and Canada. Your state employment security agency is also prepared to work with you and other displaced workers in the development of customized training plans that will provide the technical skills necessary to enter a field with long-term growth potential. This may include on-the-job training or classroom training offered at trade schools or community colleges. In addition to the services available through the trade adjustment assistance program, workers may receive assistance under other federal or state job assistance programs.

I have asked Dick Alberhasky, at the Department of Labor Employment and Training Administration, in the Kansas City, Missouri, regional office to contact you. Should you wish to call him, he can be reached at (816) 426-3796, extension 242. Mr. Alberhasky can provide you with additional information regarding the programs available to you and your fellow workers.

Please know that I remain committed to the welfare of all American workers. Although NAFTA has benefitted our economy and created many jobs, I am mindful of individuals like you who have been displaced. I hope that if you haven't already found employment, you will be back at work soon. Again, thanks for writing and for your patience.

Sincerely,

Bill Clinton



1st Letter
to President
& Representatives

Dear Sir:

I am very concerned with the closing of my plant in Seymour, Missouri. The Lee Company has decided to close its doors on November 26, 1996 and when it does 350 American jobs will be lost. The Lee Company has decided to expand its plants in Mexico and Costa Rica and take jobs away from the people who have helped build up their company. Americans, like me who buy their product, will be left without an income to pay for the Lee and Vanity Fair products.

I believe that the representatives of this country have allowed this to happen by passing the trade agreements such as NAFTA and GATT. Even though I know you will tell me that these trade agreements will be better in the long run, it does not help me and my family this November when we will lose the income that supports and feeds my family.

A total of almost 2000 American jobs have been lost just within a year in the Lee Company, including the closing of the St. Joseph, Missouri, Fayetteville, Tn., Seymour, Missouri, Dalton, GA., Bayou La Batre, AL., and the down-sizing of jobs in the Winston-Salem, N.C. plant. When will it stop?

When we combine the unconcern of the representatives of this country with the greed and coldness of corporations such as the Vanity Fair Company, we will continue to have lost jobs and an increase of work given to foreign governments. The tax dollars generated in the city of Seymour, Webster County, and the United States will be lost and services to the communities decreased.

The Lee Company is one of the two main employers in Seymour, Missouri and the people who work in this plant are hard working, dedicated Americans who deserve better than the losing of our jobs to off-shore countries. It is time that the Vanity Fair Company and the United States government remember who buys the products and pays the taxes in this country!

I would like to hear from you in response to my letter and to hear why you are allowing these shut-downs to happen. What is to happen to the remaining Lee plants in Missouri and the United States? These people also purchase the products and pay the taxes.

Yours truly,
Wanda J. Napier
Wanda J. Napier

Route 4, Box 3810

Marshfield, MO 65706

THE WHITE HOUSE

WASHINGTON

January 14, 1997

Ms. Wanda J. Napier
Route 4, Box 3810
Marshfield, Missouri 65706-9238

Dear Wanda:

Thank you for sharing your views about the North American Free Trade Agreement. America's continued prosperity depends, as never before, on our ability to tap growing markets around the world.

NAFTA represents a great opportunity to create new, high-wage jobs here in America and to improve our ability to compete with Asia and Europe. And, as a result of this agreement, the Mexican and Canadian markets are beginning to open for the first time on a fair and equal basis to U.S. goods and services. More than two million American jobs are supported by exports to Canada and Mexico, and that number is growing in large part due to the NAFTA market-opening provisions.

Congress passed NAFTA in a historic demonstration of bipartisan support, and our country has chosen to compete -- not retreat -- and to reassert our leadership in the global economy. I hope you will continue to stay involved as we work to move our country forward.

Sincerely,

A handwritten signature in black ink, reading "Bill Clinton". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

1-20-97

President Bill Clinton
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear Mr. President:

I am writing in response to your letter to me concerning the North American Free Trade Agreement. I wrote to you because I lost my job to Mexico. You talked about NAFTA representing a great opportunity to create new, high-wage jobs here in America and to improve our ability to compete with Asia and Europe. I ask you, Mr. President, where are these jobs? You said in your letter that more than two million American jobs are supported by exports to Canada and Mexico, and that number is growing in large part due to the NAFTA market-opening provisions. You seem to have NO concern about the number of LOST jobs because of the NAFTA agreement. I and 2000 of my co-workers throughout the United States at the Lee Apparel Company have lost their jobs in the past year because of the jobs going to Mexico and other foreign countries with the blessings of you and Congress!

I would like to know if you, personally, even care that I and others like me have lost their jobs because of NAFTA? Did you even read my letter or was it answered by someone on your staff? I found nothing comforting in your response as to my future prospects in the U.S. job market. Will my next job be sent to foreign countries as a result of extending these trade agreements to cover other countries besides Mexico and Canada? How can I trust my government when it is so blase over lost jobs in the United States? How can I even be hopeful about the future when all I hear is how great NAFTA is after so many people have lost their jobs to Mexico? Are you even listening to those of us that have lost their jobs. It doesn't seem so according to the response letter I received from you.

Since I lost my job, I have been told that I have an entitlement to training for a high-tech job to lessen my chance of losing a future job to these trade agreements. However, here in Missouri, the Department of Labor Employment Security office has given nothing but trouble to my fellow displaced workers about what kind of training they can receive. We are suppose to be allotted a certain amount of training dollars, but we are told by the ESO that we shall only receive the closest, fastest, and CHEAPEST training possible. I find that especially offensive since I heard the cost of your presidential inauguration party will exceed 37 million dollars, but the United States government cant afford to give NAFTA displaced workers quality education to replace the exported jobs! Is this where the priority of the United States government lies? Do you, Mr. President, care whether I and my fellow workers have training for these jobs that are high-tech?

I guess it would be too much to expect for you to even read this letter! However, I would like a response from you personally, because I am a U.S. citizen and it is your responsibility as President to respond to me. I will look forward to hearing from you and to know if you remember the common man which you promised to represent during your oath of office.

Sincerely yours,

Wanda J. Napier

Wanda J. Napier
Route 4, Box 3810
Marshfield, MO 65706
417-859-4743

Subject: Getting a response from the President

Date: Wed, 23 Apr 1997 09:46:29 -0500

From: "Wanda J. Napier" <ufcw@leblink.com>

Organization: UFCW Local 381G

To: President@whitehouse.gov

Dear Sir: Once again I am writing you to try to get a response to my letter dated in January of 1997 concerning NAFTA and the loss of my job through my company moving production to Mexico!!! I came across an copy of your speech made in July 1992 when you accepted the Democratic National party's Presidential nomination....you said " The most important family policy, urban policy, labor policy, minority policy and foreign policy America can have is an expanding, entrepreneurial economy of high-wage, high-skill jobs." " And so, in the name of all those who to the work, pay the taxes, raise the kids and play by the rules- in the name of the hard working Americans who make up our forgotten middle class, I proudly accept your nomination for Presidency of the United States. I am a product of that middle class. And when I am President you will be forgotten no more." Mr. President, I feel that you have forgotten me and I feel that your promises have been broken. The middle class is losing thousands of jobs to Mexico and other countries because of treaties and agreements like NAFTA and others. Now, you want to extend these agreements to other countries. If it doesn't work, Mr. President, then why expand it????????? I thank you for your time and I certainly would like a response from you. This is very important to me and I have been in communication with Congresswoman Marcie Kaptur to try to get her help in soliciting a response from you. Yours truly, Wanda J. Napier Route 4, Box 3810 Marshfield, MO 65706

4/23/97 10:03 AM

417 532 7821

05-15-97 03:38PM P017 #44

THE WHITE HOUSE
WASHINGTON

May 5, 1997

Mr. Wanda J. Napier
Route 4, Box 3810
Marshfield, Missouri 65706

Dear Wanda:

Thank you for sharing your views about the North American Free Trade Agreement. America's continued prosperity depends, as never before, on our ability to tap growing markets around the world.

NAFTA represents a great opportunity to create new, high-wage jobs here in America and to improve our ability to compete with Asia and Europe. And, as a result of this agreement, the Mexican and Canadian markets are beginning to open for the first time on a fair and equal basis to U.S. goods and services. More than two million American jobs are supported by exports to Canada and Mexico, and that number is growing in large part due to the NAFTA market-opening provisions.

Congress passed NAFTA in a historic demonstration of bipartisan support, and our country has chosen to compete -- not retreat -- and to reassert our leadership in the global economy. I hope you will continue to stay involved as we work to move our country forward.

Sincerely,

A handwritten signature in cursive script, reading "Bill Clinton", with a long horizontal flourish extending to the right.

THE WHITE HOUSE

WASHINGTON

September 18, 1997

Ms. Wanda J. Napier
Route 4, Box 3810
Marshfield, Missouri 65706-9238

Dear Ms. Napier:

Thank you for writing to President Clinton. I'm very sorry that your correspondence was not handled appropriately. The President will be addressing your concerns directly, but I wanted to write, as well, to apologize for our errors.

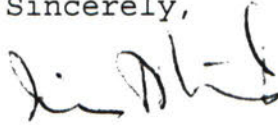
Due to the tremendous volume of mail that the President receives, sometimes we route a letter incorrectly or send the wrong response. The President believes that every letter is important, and we work very hard to prevent errors in the handling of his mail. I regret that we failed to do so in your case.

Your letters should have been sent to our Office of Agency Liaison, which assists the President in assuring that people in need of assistance from the government receive the attention they deserve and the services to which they are entitled. That office advises me that, as you may know, a specific program has been established to assist workers displaced as a result of NAFTA. I have taken the liberty of attaching a fact sheet issued by the Department of Labor, explaining in some detail how the NAFTA Transitional Adjustment Assistance Program works. If you have not spoken with him already, you may wish to call Dick Alberhasky in the Department of Labor, Employment and Training Administration Regional Office in Kansas City, Missouri, at (816) 426-3796, extension 242. He can provide you with guidance and further assistance, and I believe that the President has asked him to contact you.

I do wish that Representative Kaptur had advised us before this week about our mistake so that I could have ensured an appropriate response without so much delay. We are committed to excellence in serving the President and constituents who take the time to write to him, and I have established an office dedicated to handling complaints, which ensures that appropriate follow-up responses are sent and works to prevent such errors from occurring in the first place. The staff of that office is now examining the problems that occurred with the handling of your letter so that they will not be repeated.

Again, I apologize for our mishandling of your important correspondence. I hope that you will not be deterred from writing in the future.

Sincerely,

A handwritten signature in dark ink, appearing to read "J. A. Dorskind", with a stylized flourish at the end.

James A. Dorskind
Deputy Assistant to the President
Director of Correspondence and
Presidential Messages

U.S. Department of Labor Program Highlights



Fact Sheet No. ETA 94-17

NAFTA TRANSITIONAL ADJUSTMENT ASSISTANCE PROGRAM

Employees who lose jobs may be covered by one of several programs that target dislocated workers. These programs are frequently tied to the cause of the dislocation, such as defense downsizing, compliance with federal environmental requirements or the nation's trade policies. A new specialized program is designed to help workers who become dislocated as a result of increased trade with Mexico or Canada after January 1, 1994, when the North American Free Trade Agreement (NAFTA) took effect.

The North American Free Trade Agreement Implementation Act (P.L. 103-182) establishes a Transitional Adjustment Assistance program for workers in companies affected by imports from Mexico or Canada or by shifts of U.S. production to those countries. This program combines aspects of two laws that have been in effect for many years: the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA) and the Trade Adjustment Assistance (TAA) program. By drawing on these models, the new program provides affected workers with both rapid and early response to the threat of unemployment and the opportunity to engage in long-term training while receiving income support.

Eligibility

The NAFTA Transitional Adjustment Assistance program covers workers who are laid off or who are forced to work part-time as a *direct* result of increased imports from Mexico or Canada or of a shift of U.S. production to those countries. It also covers those who are threatened with job loss or reduced work hours for those reasons.

Thus if a manufacturer's production has declined in direct response to imports from Mexico or Canada, workers at that company would be

eligible for assistance. An even clearer case involves workers who lose their jobs when a plant in the United States closes and the production is transferred to Mexico or Canada.

The program also covers workers in companies that are *indirectly* affected by trade with Mexico or Canada. For instance, if workers lose their jobs at a company that supplies materials to a company directly affected by trade, or at a company that assembles or finishes components produced by a company directly affected by trade, these workers also may be eligible for assistance.

Finally, the NAFTA Transitional Adjustment Assistance program has a provision for family farmers and farm workers who are adversely affected by NAFTA but who do not qualify for unemployment compensation. Such workers are eligible for retraining and adjustment services and for income support if they worked at least eight weeks during the previous year.

Federal-State Partnership

Responsibility for investigating whether a worker layoff is related to NAFTA is shared by the governor of the state where the workers' company is located and the U.S. Department of Labor. When the state receives a petition for assistance, the governor makes a preliminary finding as to whether the petition meets certain eligibility criteria. This finding must be issued within 10 days of receipt of the petition. The Secretary of Labor then makes a final determination of eligibility within 30 days of receipt of the preliminary finding.

-over-

When a determination by the Secretary of Labor states that a petition does not meet the eligibility requirements under this program, the petition is immediately reviewed under the Trade Adjustment Assistance program to determine if coverage is available.

Services Provided

The NAFTA Transitional Adjustment Assistance program emphasizes a comprehensive, timely array of retraining and re-employment services tailored to meet workers' individual needs. Major activities and services include:

- **Rapid Response and Basic Readjustment Services.** When the Dislocated Worker Unit in a state is alerted to the possibility of a layoff or plant closing, it responds quickly with on-site services. These may include efforts to let workers know they are eligible for the program and to enroll them in the program. Once in the program, workers receive an assessment of their individual skills and abilities as well as financial and personal counseling to prepare for job transition.

When the Secretary of Labor certifies eligibility, adversely affected workers are provided a broad range of adjustment services, including:

- **Employment Services** such as career counseling, job placement assistance services and support services such as assistance for child care and transportation.

- **Training for employment in another job or career.** Training in occupational skills may be supplemented, as needed, with basic and remedial education, entrepreneurial training, or training in literacy or English as a second language.
- **Income Support** for up to 52 weeks after a worker has exhausted unemployment compensation when the worker is enrolled in training.
- **Job Search Allowances** to pay expenses for workers who search for work beyond their normal commuting area.
- **Relocation Allowances** to pay moving expenses for a dislocated worker who is likely to find work in another area.

How to Apply

Petitions may be filed by a group of three or more workers, their union, or a duly authorized representative, including community-based organizations. A company official also may file a petition. Forms may be obtained from the local office of the state employment security agency or from any agency designated by the governor to provide reemployment services under the NAFTA Transitional Adjustment Assistance program. Additional information is available from the U.S. Department of Labor, Employment and Training Administration, Office of Trade Adjustment Assistance, Room C-4318, 200 Constitution Avenue, N.W., Washington, D.C. 20210. Telephone: (202) 219-5555.

*Letter to
PRESIDENT*

11-21-96

970227001
ETA
Displaced workers
970008882

Dear Sir:

My name is Wanda J. Napier, President of UFCW Local 4596. My employer, the Lee Apparel Company, will close our plant on November 26, 1996. Most of the employees have already been sent home and are drawing their W.A.R.N. pay.

The main reason that I am writing to you is because during our rapid response meetings, Stan Seaman, the supervisor over TAA/NAFTA trade acts funding in the office of Missouri Division of Employment Security told us that the only schooling we would get was the CLOSEST, CHEAPEST, AND FASTEST. During more recent talks with Stan Seaman and others in his office in Springfield, Missouri, they have told my members that the cheapest school is the one they will be sent to. I have a real problem with that as do my displaced members! We did not ask to be displaced from our jobs and only because the Lee Apparel Company can get cheap labor from Mexico as a result of the North American Free Trade Agreement, we lost our jobs. Now not only have we lost our jobs of many years, we are being told that we can not go to the schools that we wish to attend.

We understand the importance of getting as many of the people in school as possible with the funding set aside, but we also know that we need quality ADULT training that will get us employment after we finish training. I personally have been through this QUICKKEY training they are pushing us toward and I finished this 21 week training with not enough skills to get a job. I did this training in 1981 after the closing of Black Manufacturing and I ended up back in a garment factory and fifteen years later in the same situation. I don't want to see the same thing happen to the displaced employees of the Lee Apparel Company.

When the North American Free Trade Agreement was passed, the NAFTA schooling was initiated to help the Americans that were displaced by this agreement. I just don't understand why, at least in the Springfield, Missouri Employment Security Office, we are being told that CHEAPEST is BEST. I have found in my purchasing experience that is not always the case. I know of 138 displaced workers from the Lee Apparel Company in St. Joseph, Missouri have been allowed to go to the more expensive, quality, ADULT colleges and I wonder why we are being discriminated against in the Southwest Missouri area!

Is there anything you can do to help us? We are already discouraged and would like to see our lives head in a positive direction.

Thank you!

Wanda J. Napier, Pres
Local 4596

RECEIVED
NOV 21 1996

July 17, 1997

Ms. Wanda J. Napier
President
UFCW, Local 459G
Route 4, Box 3810
Marshfield, Missouri 65706

970008882

Dear Ms. Napier:

I am writing in response to your recent letter to President Clinton concerning the types of services being offered to former Lee Apparel workers in the Springfield, Missouri area. Your letter has been referred to the Office of Trade Adjustment Assistance for a response.

The purpose of the NAFTA-Trade Adjustment Assistance program is to get workers reemployed at a reasonable replacement wage in the most timely manner. After discussions with the Missouri Division of Employment Security, I am advised that you were able to get approval to attend a private school, Vatterott College, to study computer aided drafting (CAD) but have since obtained employment in another field and have chosen not to pursue CAD training at this time. We regret any inconvenience you and your former colleagues from Lee Apparel may have experienced in choosing your new career paths.

This Administration is committed to working with dislocated workers to provide the most comprehensive assistance, including customer choice, in order to get them back into the labor force. However, there are limits within which the States may operate the trade programs. Those limits include overall cost factors, completion time for the training program, and the suitability of the training program. Missouri, by approving your CAD training plan, took all of those factors into consideration.

I am pleased that in February you secured new employment. I wish you well in all of your future endeavors.

Sincerely,

GRANT D. BEALE
Acting Director, Office of
Trade Adjustment Assistance

RPTAEGER/rp/7/2/97(S:\OTAA\WPDOCS\COR\NAPIER)Retyped/ntm/7/17/97

cc: ETAA/ECIA/ECO/Farmer/File

CONCURRENCES	Initials							
	Date			7/18/97				
	Last Name			BEALE				
	Office Symbol			TWT				

OFFICIAL FILE COPY

Return to: Room

Bldg.

DL 1.441, Rev. July 1975

TIME OF TRANSMISSION:

TIME OF RECEIPT:

Copied
Berger
COS

WHITE HOUSE
SITUATION ROOM

PRECEDENCE: X

IMMEDIATE
PRIORITY
ROUTINE

RELEASER: BS:2

DTG: 26 2210 Z

MESSAGE NO: JR272

CLASSIFICATION: UNCLASSIFIED

PAGES: 9

FROM: Phil Caplan
(NAME)

202 / 456-2702

(PHONE NUMBER)

G FL / WW

(ROOM NO.)

MESSAGE DESCRIPTION: Berger memo re Presidential Determination on RCRA

Exemption for the Operating Location at Groom Lake

TO (AGENCY)

DELIVER TO

DEPT/ROOM NO.

PHONE NUMBER

To: Stephen Goodin for the President (give Stephen 2 copies)

cc: Doug Sosnik

cc: Ed Rice

REMARKS:

THE PRESIDENT HAS SEEN
9-26-97

THE WHITE HOUSE
WASHINGTON

September 26, 1997

MR. PRESIDENT:

The attached memo from Sandy Berger recommends that you continue to exempt the Air Force from public disclosure requirements under RCRA (Superfund) at Groom Lake, Nevada. Please note that the previous exemption you approved last year expires on **Saturday, September 26**. You should therefore act upon this recommendation by tomorrow.

You should contact Sandy directly if you have any questions.

If you approve, we will have the Presidential Determination executed here on your behalf.

☒ Approve ☐ Disapprove ☐ Discuss

Phil Caplan

Phil

THE WHITE HOUSE

WASHINGTON

'97 SEP 25 PM 10:18

September 25, 1997

ACTION

MEMORANDUM FOR THE PRESIDENT

THROUGH: THE EXECUTIVE CLERK *J*FROM: SAMUEL R. BERGER *B*SUBJECT: Presidential Determination on RCRA Exemption for
the Operating Location at Groom LakePurpose

To continue to exempt the Air Force from public disclosure requirements concerning the inspection and inventory of hazardous waste at the Air Force "operating location near Groom Lake."

Background

You have twice issued an exemption under the Resource Conservation and Recovery Act (RCRA) protecting from disclosure classified information concerning an Air Force location near Groom Lake, Nevada. By statute, the exemption is effective for one year, unless renewed. As a result, the attached exemption should be signed by September 27. The exemption was necessitated by litigation over RCRA compliance at the facility. While ruling that the information in question was appropriately classified, the Federal district court ruled that under RCRA classified information could only be protected from public disclosure pursuant to a Presidential exemption.

That ruling remains under appeal. In the interim, Deputy Secretary of Defense Hamre and Secretary of the Air Force Widnall recommend that you renew the exemption to provide continued protection for national security information. EPA Administrator Browner and the Department of Justice's Environmental and Natural Resources Division concur in this recommendation as does Katie McGinty. As with last year's exemption, the attached document is worded to exempt the location only from disclosure requirements and not from applicable environmental standards.

Continuation of this exemption does not prejudice our review of the health and environmental record at the Air Force location. General Kerrick and Jamie Baker are scheduled to visit the

location in mid-October. As you know, Secretary Cohen is also taking an interest in the matter. We will report back to you, and to Bill, after General Kerrick's trip.

RECOMMENDATION

That you sign the exemption at Tab A.

Attachments

Tab A Presidential Determination

Tab B Incoming Correspondence from the Deputy Secretary of Defense

THE WHITE HOUSE

WASHINGTON

Presidential Determination
No. _____

MEMORANDUM FOR THE ADMINISTRATOR OF THE ENVIRONMENTAL
PROTECTION AGENCY
THE SECRETARY OF THE AIR FORCE

SUBJECT: Presidential Determination on Classified
Information Concerning the Air Force's
Operating Location Near Groom Lake, Nevada

I find that it is in the paramount interest of the United States to exempt the United States Air Force's operating location near Groom Lake, Nevada (the subject of litigation in Kasza v. Browner (D. Nev. CV-S-94-795-PMP) and Frost v. Perry (D. Nev. CV-S-94-714-PMP)), from any applicable requirement for the disclosure to unauthorized persons of classified information concerning that operating location. Therefore, pursuant to 42 U.S.C. 6961(a), I hereby exempt the Air Force's operating location near Groom Lake, Nevada, from any Federal, State, interstate, or local provision respecting control and abatement of solid waste or hazardous waste disposal that would require the disclosure of classified information concerning that operating location to any unauthorized person. This exemption shall be effective for the full one-year statutory period.

Nothing herein is intended to: (a) imply that in the absence of such a Presidential exemption, the Resource Conservation and Recovery Act (RCRA) or any other provision of law permits or requires disclosure of classified information to unauthorized persons; or (b) limit the applicability or enforcement of any requirement of law applicable to the Air Force's operating location near Groom Lake, Nevada, except those provisions, if any, that would require the disclosure of classified information.

The Secretary of the Air Force is authorized and directed to publish this determination in the Federal Register.



DEPUTY SECRETARY OF DEFENSE

1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010



20 SEP 1997

MEMORANDUM FOR PRESIDENT CLINTON
 THROUGH: MR. BERGER

SUBJECT: Classified Information Concerning the Air Force's Operating Location
 Near Groom Lake, Nevada

On September 28, 1996, you issued an exemption under the Resource Conservation and Recovery Act (RCRA) protecting from disclosure classified information concerning an Air Force operating location near Groom Lake, Nevada. By statute, the exemption is effective for one year, unless renewed. The exemption was necessitated by a Federal district court ruling that held that classified information could not be withheld from public disclosure under RCRA absent such an exemption. That ruling is now being appealed. In the meantime, and for reasons addressed in the attached memorandum from Secretary Widnall, I concur in her request and recommendation that you renew the exemption to provide continued protection for the full one-year statutory period while the matter is on appeal.

I note that EPA Administrator Browner and the Justice Department's Environment and Natural Resources Division concur in this recommendation.

Attachment:
SECAF Memo



SECRETARY OF THE AIR FORCE
WASHINGTON

SEP 19 1997

MEMORANDUM FOR THE DEPUTY SECRETARY OF DEFENSE

FROM: SECRETARY OF THE AIR FORCE, SHEILA E. WIDNALL

Prepared by: Mr. Slater, SAF/GC, 697-4406

SUBJECT: Renewal of Presidential Exemption for Classified Information Concerning the Air Force's Operating Location Near Groom Lake, Nevada - ACTION
MEMORANDUM

PURPOSE: Protect classified information concerning the operating location near Groom Lake

DISCUSSION: I recommend and request that you seek from the President a renewal of the exemption he issued on September 28, 1996, protecting from public disclosure classified information concerning an Air Force operating location near Groom Lake in the Nellis Range Complex in Nevada. By statute, the exemption granted last year is effective for one year, unless renewed. The exemption was prompted by a judicial decision in a lawsuit against the Environmental Protection Agency, Kasza v. Browner, which is now on appeal to the U.S. Court of Appeals for the Ninth Circuit. In the meantime, continued protection through a renewed exemption is necessary.

As discussed in the memoranda requesting the exemption the last two years, the activities undertaken at the operating location near Groom Lake are crucial to national security. The nature of the activities requires that virtually all information about the location remain classified. To protect national security in the pending litigation, I have made a formal claim of the military and state secrets privilege, which the court has found procedurally and substantively proper.

In the ruling at issue, the court nonetheless held that classified information must be produced pursuant to the public disclosure provisions of Section 3007(b) of the Resource Conservation and Recovery Act (RCRA), 42 U.S.C. § 6927(b), unless an exemption is granted by the President pursuant to Section 6001(a) of RCRA, 42 U.S.C. § 6961(a). EPA, through briefs filed by the Justice Department, has contested that construction, arguing that RCRA is properly interpreted as not mandating disclosure of classified information, which is consistent with other statutes, the common law, and separation of powers considerations. That issue is now on appeal. To protect classified information concerning the operating location near Groom Lake while the issue is litigated, the President granted such an exemption on September 29, 1995, which he renewed on September 28, 1996. To ensure continued protection of the information during the appeal process, a further renewal is required now.

The text of the proposed exemption is the same as that granted last year. It exempts the Air Force's operating location near Groom Lake from any provision of hazardous waste law that might require disclosure of classified information concerning the operating location. It also makes clear that other environmental obligations are not diminished. We ask that the exemption be executed and made effective on (but in all events not later than) September 28, 1997, the one-year anniversary of the previous exemption.

COORDINATION: As was true last year, EPA Administrator Browner concurs in this request for exemption, as does the Department of Justice's Environment and Natural Resources Division, which is defending EPA in the pending litigation.

OSD/GC _____

RECOMMENDATION: I recommend you send to the President the enclosed memorandum and proposed Presidential Determination.

Attachment:

A/S

DEPSECDEF DECISION:

_____ Approved
_____ Disapproved
_____ Other

Presidential Determination
No. _____

MEMORANDUM FOR THE ADMINISTRATOR OF THE ENVIRONMENTAL
PROTECTION AGENCY
THE SECRETARY OF THE AIR FORCE

SUBJECT: Presidential Determination on Classified Information
Concerning the Air Force's Operating Location Near Groom
Lake, Nevada

I find that it is in the paramount interest of the United States to exempt the United States Air Force's operating location near Groom Lake, Nevada (the subject of litigation in Kasza v. Browner (D. Nev. CV-S-94-795-PMP) and Frost v. Perry (D. Nev. CV-S-94-714-PMP)) from any applicable requirement for the disclosure to unauthorized persons of classified information concerning that operating location. Therefore, pursuant to 42 U.S.C. 6961(a), I hereby exempt the Air Force's operating location near Groom Lake, Nevada, from any Federal, State, interstate or local provision respecting control and abatement of solid waste or hazardous waste disposal that would require the disclosure of classified information concerning that operating location to any unauthorized person. This exemption shall be effective for the full one-year statutory period.

Nothing herein is intended to: (a) imply that in the absence of such a Presidential exemption, the Resource Conservation and Recovery Act (RCRA) or any other provision of law permits or requires disclosure of classified information to unauthorized persons; or (b) limit the applicability or enforcement of any requirement of law applicable to the Air Force's operating location near Groom Lake, Nevada, except those provisions, if any, that would require the disclosure of classified information.

The Secretary of the Air Force is authorized and directed to publish this determination in the Federal Register.

9-29-97

In Public School, Uniforms as Dress for Success

By TAMAR LEWIN

From tiny southern towns to the nation's largest cities, public school uniforms have become so common this year that in many areas, they are no longer the exception, but the rule.

In Miami, 196 of the 328 public schools require uniforms this year, more than twice as many as last year. In Cleveland, two-thirds of the public schools have adopted uniforms. In Chicago, four out of five schools now have uniforms, as do more than half the schools in Boston. And in New York, where only 10 percent of the schools had uniforms last year, Philip Russo, a spokesman for the Board of Education, said he expected, conservatively, that 25 percent would have uniforms by the end of the year.

"I don't know exact numbers, but more than half the urban school districts in the country have some uniform policy. It's increased this year and I suspect it'll continue to increase, since there seem to be some benefits and no serious drawbacks," said Mike Casserly, executive director of the Council of the Great City Schools, a Washington group that represents the nation's largest urban school districts.

While the whole concept of public school uniforms would probably have aroused strong opposition 10 or 20 years ago, from those seeing it as a stifling of students' self-expression, an attempt to infringe on their individuality, some see it as a sign of the times that few such complaints are being heard.

"Throughout society, there is popular support for any measure that sounds like it supports greater law and order, even if there's no

Continued on Page A20

Continued From Page A1

evidence that it actually has any effect," said Nadine Strossen, president of the American Civil Liberties Union. "I don't think politicians really believe in school uniforms, but they do it to get kudos, to be seen as taking action without costing the taxpayers money. And while we do get some complaints, lots of people shrug their shoulders, thinking it may not do any good, but it won't do much harm, either."

In Zion, Ill., 50 miles north of Chicago, Jerri-Lynn Williams, the principal of Shiloh Park Elementary School, says she loves driving in each morning and seeing the children gathering, more of them each week, in the red-white-and-blue uniforms she introduced this school year.

"They look so nice and neat and crisp," Ms. Williams said. "It's probably only about 40 percent of them wearing the uniforms so far, but it's growing. We're going to do a tally soon, and if there's the parent support I think there is, I'd love to make it mandatory next year."

These days, uniforms are less likely to be a matter of plaid pleats and white dress shirts than, as at Shiloh Park, persuading students to wear navy pants or skirts and red, white or blue tops.

At most schools, uniforms are voluntary. In Boston, for example, of 125 schools, 58 have voluntary uniforms and 18 have mandatory uniform policies.

While a smattering of public schools had uniforms starting in the 1980's, the practice did not become widespread until 1994, when Long Beach, Calif., adopted a districtwide mandatory rule on uniforms for all elementary and middle-school students. Its much-publicized report the following year said school crime had decreased 36 percent.

Last year, after President Clinton's State of the Union address included a pitch for school uniforms, the United States Department of Education sent every district in the nation a pamphlet on the subject, beginning with a section titled "School Uniforms: Where They Are and Why They Work."

School administrators in many cities say that parents, teachers and students alike are surprisingly enthusiastic about uniforms.

"Everywhere I've gone, it's been received with great excitement," said Mr. Russo in New York. "Even kids who initially don't like the idea say they feel they're being treated with more respect. It really breeds a lot of unity and self-esteem, and it makes it cheaper for parents to clothe their kids for school."

Legally, said Ms. Strossen of the A.C.L.U., school-uniform policies have been vulnerable to challenge only when they do not make provision for free uniforms for those who cannot afford them, or when they fail to include a provision allowing parents to opt their children out.

"We've won some of those cases, quite recently, in California and Florida," she said. "But once you have an opt-out provision, and it's enforced, it takes away the coercion, and there's not much of a legal leg to stand on."

As a practical matter, many parents favor school uniforms, finding that they make it both easier, and cheaper, to outfit their children each day.

In their effort to eliminate fashion competition, some districts not only dictate colors, but forbid clothing with visible labels or logos.

"The whole point is to have the children to be equal, not to divide the haves and have nots," said Dr. Joe Haynes, the superintendent of schools in Greenville, Miss., who this year expanded his district's policy to cover all students and ban all labels. "Some principals said labels might signify things, and we wanted to avoid any possibility of gang problems, of some group of kids deciding to buy the same brand, and thinking the little thing on their shirt represents something."

Responding to the no-label pressure, and to students' strong attachment to brand names, a Georgia apparel company, Duck Head, created a line of school clothes with discreet logos on flaps that can be tucked away in a pocket during class.

At Shiloh Park, as at many other schools, students get a day off from uniforms every Friday. And like students elsewhere, Ms. Williams's

younger students have found the uniforms more happy than the older ones.

In some classrooms, the uniforms are wearing the uniforms.

"We have one class where everybody shows up in uniform, and it's because the teacher does, and she's someone who has incredible rapport with the parents," said Ms. Williams said.

While most school systems, like New York City's, allow individual schools to determine their own dress code, a few require uniforms districtwide.

But even where the school district has made no move toward uniforms — and where the issue is more one of image than concern about costs, crime, or gang colors — some parents start their own campaigns for uniforms.

"We see a lot of private school kids around here, and we like to look like them," said Vicki Burns, a parent who helped get uniforms this year at Palmer Elementary School, outside Houston. "The district hasn't been interested, but we saw the need, and we just decided to go ahead and check into it. The principal at our school had the kids vote on whether to mock election, and they voted it down. But then there was a parent vote, and it got over 90 percent support."

A parents committee chose red, white or blue polo shirts, navy or khaki bottoms, with a logo on the uniforms are available either through a local store or through catalogue company Lands' End, which started a uniform department in time for this year's school year.

"We're getting 40 to 50 percent of the kids in uniform on any given day," said Ms. Burns, who pays for 10-year-old twins, Martin and Meghan, an extra \$1 a week in allowance to wear the uniform. "I can tell it's growing, so it's pretty clearly a success."

Meghan likes the uniforms, but her brother does not. "I think it's easier than deciding what you're going to wear each day," she said. "But some of the boys don't like buying their shirts."

The New York Times
THURSDAY, SEPTEMBER 25, 1997

THE PRESIDENT HAS SEEN
9-29-97

Guns
What about this?

MEMORANDUM

TC

DATE: September 11, 1997
TO: Mack McLarty, Counselor to the President
Kathleen Higgins, Deputy Secretary, Department of Labor
FROM: Congressman Paul E. Kanjorski
RE: Fast Track Job Opportunities Program

PROBLEM: Many Democratic Members of Congress believe that NAFTA, GATT and other trade agreements have led to increased unemployment in their states/districts and are thus reluctant to support any new Fast Track negotiating authority that might exacerbate their local unemployment problems. There is a mismatch between where jobs are being lost as a result of new trade agreements, and where they are being created. Existing Trade Adjustment programs do not create jobs in the communities that need them.

SOLUTION: Put job creation on a "fast track" by incorporating into the Fast Track legislation specific provisions to create new jobs in areas of the country which have lagged behind the rest of the nation.

Specific Features of Fast Track Job Program:

- Limit program eligibility to counties with an average unemployment rate at least 1% above the national unemployment rate, and an average income level at least 10% below the national average (reduces cost).
- Give a priority to projects in eligible counties with the highest unemployment rates.
- Distribute some funding through the EDA, using as a model its past programs to address Defense base closure conversion needs and the economic diversification needs of the Northeast fisheries community and the Pacific Northwest timber community.
- Distribute some funding through the SBA for additional low cost loans and loan guarantees, creation and expansion of Small Business Investment Companies (SBICs) and its Certified Development Company (CDC) program. The SBA's Defense base closure loan program (DELTA) can also serve as a model for SBA activities in this area.
- Incorporate the no cost Baker-Kanjorski-Leach Federal Home Loan Bank (FHLB) amendments which allow FHLB advances for agricultural, small business and community development lending, and which allow such loans to be pledged as collateral for FHLB advances (because it has no cost, this provision could be made available nationwide).
- Total funding should be at least \$1 billion to demonstrate the magnitude of the Administration's commitment to putting job creation on a fast track.

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The Washington Post
FRIDAY, SEPTEMBER 26, 1997

Stephen S. Rosenfeld

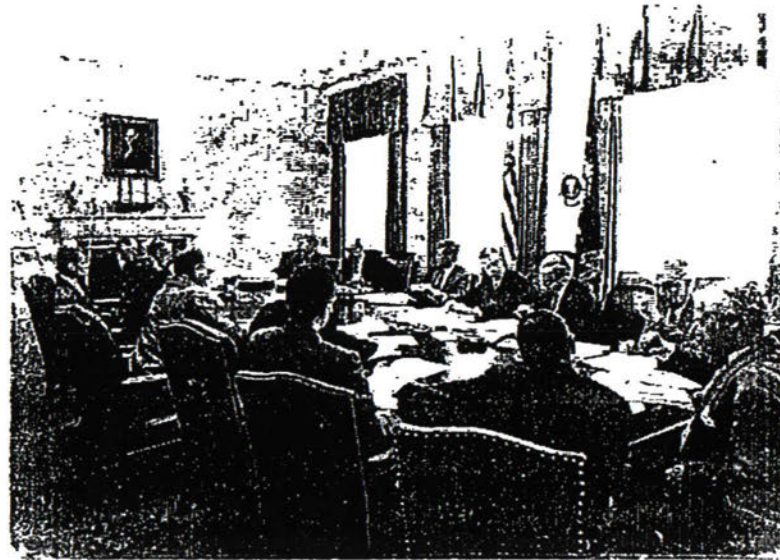
October 1962: A Close Call That Isn't Over Yet

Gratitude for the grace that saved us has to be the first reaction to "The Kennedy Tapes," the newly published tapes that President John F. Kennedy secretly made of White House deliberations in the Cuban missile crisis of October 1962. These recordings, made presumably to give Kennedy command of the historical record, bring to life the single episode when the world teetered on the brink of nuclear war. To remove the missiles the Kremlin had sneaked into Fidel Castro's Cuba produced the Cold War's defining collision of short-term safety with longer-term credibility, prestige and, for Kennedy, political survival. To read now an unbroken 700-page narrative of a sequence heretofore well known but only in bits and pieces makes one wonder the more that we survived.

A pity then that the Harvard editors of this remarkable and unprecedented exercise in historical documentation, Ernest R. May and Philip D. Zelikow, do not examine it in its full dimensions. They make of the proceedings a paeon to the modern-day political-science category of crisis management. Their focus is not on the larger strategic dilemma that framed the instant challenge but on the immediate decision-making techniques practiced along the way.

In the process, the reconstruction of the missile crisis becomes what the editors identify as a progression from history to drama to screenplay. It becomes a stage on which to nominate John Kennedy, a president who unfortunately was never given the time to make an unambiguous record, for greatness.

Missing from this version is a full evaluation of the mixed political, strategic and psychological results of the missile crisis. It brought the nuclear nonproliferation treaty and the closure of the Berlin crisis—valuable developments. At the same time it



brought a vast further mutual expansion of nuclear arms-building plus the early ouster of the "hare-brained" Khrushchev by a Kremlin consensus bent on competing harder and harder against the United States. Although touted as a Cold War victory for the United States, the crisis permanently cost Americans the sense of invulnerability behind two oceans that had been the mark of American innocence until then.

Missing too is any evaluation of the impact of the crisis on democratic practice. This convulsive event put into a few hands in the White House a

constitutionally unauthorized power to make ultimate decisions about the life and death of the nation and to make such decisions affecting not only the United States and the Soviet Union but the rest of an unconsulted world. Later American disputes over a president's war powers fade into insignificance against the war-and-ruin powers the president found it unavoidable to take onto himself in the missile crisis.

At the end of those days of October, of course, the planet was still there. In Washington a burst of self-congratulation took place, a sorting

out of putative "hawks" and "doves" (May and Zelikow make some interesting revisions) and a warning not to "gloat" over the American success in making Moscow "blink." Kennedy had forced Nikita Khrushchev to retreat for mutual political convenience (a conditional American no-invasion guarantee of Cuba, a secret understanding on removal of American missiles from Turkey) the nuclear missiles the Soviet leader had slipped in.

The new book's editors find Kennedy calm, lucid, making no serious misjudgments, avoiding impulsive-

ness, sorting skillfully through varied interlocutors, remaining several steps ahead of his advisers, following a more peaceful course than anyone else could have done, playing out some of his finest hours.

The editors do in fact make a convincing case for Kennedy's coolness under unimaginable pressure. But they do not ask how Kennedy and his predecessors in the White House and all his other collaborators and advisers—the system, if you will—put a president in the situation where to defend against a genuine strategic threat he had to put at risk the very existence and survival of the United States and the rest of the world.

It seems to me less important to celebrate the high personal qualities of one leader in a crisis that passed than to grasp the deadly systemic qualities of a defense system that remains unchanged in its essence to this day. With the Cold War behind us, we and the Russians both still rely on a model of nuclear deterrence that entails the targeting, the keeping on alert and the preparing for Armageddon of some 10,000 nuclear warheads.

Ask yourself what kind of defense you would prefer. One in which you must rely as now on the sense and nerves of the political leader of the day, or one in which the system itself—the missiles, the links, the strategies—might spare the country and the world the worst consequences of human fragility and error? An all-or-nothing system or a more modest and forgiving model?

"The Kennedy Tapes" with its emphasis on the human element in crisis management is exactly the right book to kick off a vigorous new round of discussion in the Clinton administration on how to make sure there never will be another Cuban missile crisis or anything like it.

THE PRESIDENT HAS SEEN
9-29-97

Guns → shows, are so huge
anybody on this? PK

THE PRESIDENT HAS SEEN

<http://www.usatoday.com>

THE NATION'S NEWSPAPER

SECTION B



Money

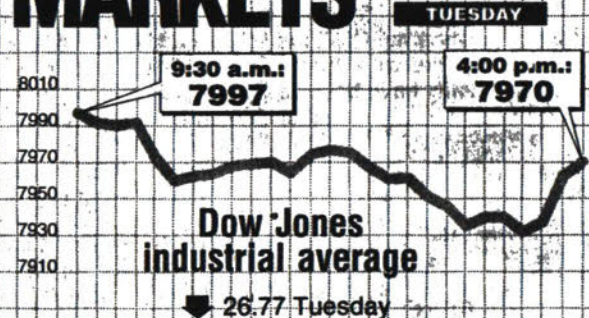
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SEPTEMBER 24, 1997

KEYLINE

TOP MONEY NEWS OF THE DAY

MARKETS



Nasdaq composite	1697.36	▲ 7.91
S&P 500	951.93	▲ 3.50
T-bond, 30 year yield	6.38%	▲ 0.03
T-bill, 3-mo. discount rate	4.90%	▲ 0.01
Gold, oz. Comex	\$322.20	▲ \$1.00
U.S. dollar, yen per dollar	122.13	▲ 0.71

Business Travel Today

By Donna Rosato

New name: ValuJet becomes AirTran Airlines today, with a new color scheme, assigned seats and business class.

Tasty: US Airways first-class fliers now get snacks, including hot sandwiches and new entrees, including shrimp with Oriental pasta. Meal choices also increase in coach.

New partner: United Airlines announces today that

Highest hotel occupancy rates in the top 25 metro markets in July



By Genevieve Lynn, USA TODAY

MCI joins its Mileage Plus frequent-flier program.

Sale: America West today

launches a fare sale that cuts a cross-country trip to \$99 each way for Tuesday, Wednesday or Saturday travel. Buy by Sept. 29 for travel Oct. 15 through Feb. 11 with a 21-day advance purchase.

Also . . . : America West today unveils last-minute discount fares sold only on its Web site (www.americawest.com). Fares are posted each Wednesday for travel the following weekend.

Got a travel tip?
E-mail money@usatoday.com

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WHAT IN THE WORLD

WHAT DOES AN ONION CONTAIN THAT MAKES YOUR EYES WATER WHEN YOU SLICE IT?



Answer: a gas called propanethiol-S

(Northwest's WorldWeb™ can open your eyes to a whole new world of convenience. Visit www.nwa.com and book your flights online.)

NORTHWEST AIRLINES
1-800-225-2525
www.nwa.com

Freeze cable rates, consumer advocates say

By David Lieberman
USA TODAY

NEW YORK — Consumer groups called Tuesday for the Federal Communications Commission (FCC) to freeze cable rates for one year — a move that could save \$1 billion for the U.S.'s 85 million subscribers.

Consumers Union and the Consumer Federation of America say regulators must address the fact that cable fees have risen faster than ever in the past two years. They blame the FCC for failing to enforce parts of the 1992 Cable Act and the 1996 Telecommunications Act designed to control rates

and promote competition.

"It's a regulatory debacle," says Gene Kimmelman, Consumers Union Washington's co-director. Annual rate hikes since early 1996 beat inflation by 5.6% for expanded basic service — which includes the most popular channels, such as CNN, ESPN and MTV. Before 1994, prices rose about 4.3% a year faster than inflation.

The typical cable customer pays \$26.50 a month for expanded basic service, up from about \$23 a month in 1995.

The groups petitioned regulators to overhaul rules governing rate hikes, impose tougher restrictions on cable operator

investments in programming, and make it easier for potential competitors to buy channels owned by cable operators.

The consumer advocates say that operators raise basic rates because they face little meaningful competition. Satellite services, with about 5 million customers, don't count because they usually cost much more than cable.

Cable representatives say the recent spike in basic prices is temporary. It reflects investments — \$5.1 billion in 1996 — operators must make to keep up with competition from satellites and phone companies.

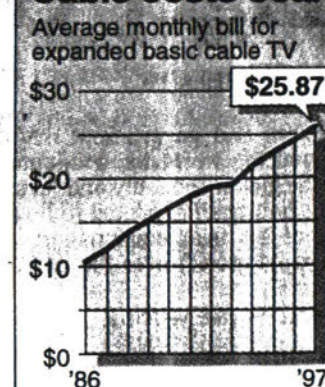
"We're in a transition peri-

od," National Cable Television Association President Decker Anstrom says. "A price freeze would stop still in its tracks investments in new programming and technology," such as high-speed Internet connections for personal computers.

He adds that the price comparisons are unfair because today's basic cable packages usually include more channels than they did a few years ago.

The debate continues today at the House Judiciary Committee, which is holding a hearing on the state of video competition. Kimmelman, Anstrom and FCC Chairman Reed Hundt are due to testify.

Cable costs soar



1 - Jan.-Aug. projection by Consumer Union
Source: Paul Kagan Associates

By Sam Ward, USA TODAY

Paper tigers lose strength

Safety agency

THE PRESIDENT HAS SEEN
The Marcus & Millichap Company

9-29-97

777 California Avenue
Palo Alto, CA 94304
Tel: 415 494 1400
Fax: 415 493 5319

George M. Marcus
Chairman

CTS-see Mr. Millichap

BC



THE PRESIDENT

9/24/97

Copied
Smith
COS

Dear George

I enjoyed being with
you, as always - and I especially
appreciate your continued support
and steadfastness under these
circumstances - Sincerely,
Bill Clinton

THE WHITE HOUSE
WASHINGTON

~~Assad~~
~~Smith~~
To Ward Just

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Smith
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THE PRESIDENT

9/24/97

Dear Ward

I just finished Echo House and
enjoyed it very much. Congratulations
Fortunately I was unencumbered by
heritage, work, or many DC establishment
connections - soon enough they will have
enough fish to fry - Meanwhile I meant to
do all I can - Sincerely -

Bill Clinton

Sperling ✓
McGinty ✓
Tarullo ✓
COS ✓

THE PRESIDENT HAS SEEN
9-29-97

THE WHITE HOUSE

WASHINGTON

September 28, 1997

197 SEP 28 PM 2:49

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
KATHLEEN MCGINTY
DANIEL TARULLO

Subject: Climate Change Work Plan

Following our meeting with you last week, we thought it would be helpful to provide you with this work plan for the climate change process. We have discussed this process with Erskine, who has approved our approach. Our plan has four components:

- **Refining options/major issues (White House oversight team).** Over the next week, we will chair a series of intense White House oversight meetings to refine specific options on key issues and shape discussions with the NEC/CEQ principals. Among others, the topics will include technology, revenue recycling, diplomatic strategy, and targets and timetables. We will also meet with your political advisers to obtain their assessments of the likely reaction to different strategies (e.g., whether a revenue recycling package is viable).
- **Cabinet.** We will hold two Cabinet-level meetings -- one today and one on Monday. Friday's meeting will discuss the role of technology in reducing emissions, and the relative merits of grandfathering and auctioning. The Monday meeting will allow the principals to present their views on our overall policy approach. The principals will also have the opportunity to submit their specific, written recommendations to you.
- **Memos to you.** We will submit two additional memos to you over the following week. The first, which we will submit early this week, will provide substantive information on a variety of topics that you had asked about in our meeting of September 18. The second memo, which we will submit towards the end of the week, will give you specific policy recommendations from key White House staff and Cabinet members.
- **Meetings with you.** Following submission of the recommendations memo next week, we will be available for meetings with you to help formulate your final decision. The Bonn negotiations, which are the penultimate set of negotiations before Kyoto and the "deadline" at which we are expected to present our policies, begin on October 20. *We therefore need basic negotiating instructions before you leave for Latin America on October 12 -- since you will not return from that trip until immediately before the Bonn negotiations begin.*

Attached please find a schedule of the climate change decision-making process, and a detailed task list.

Schedule

Friday, September 19	White House oversight meeting on WH Conference
Tuesday, September 23	Initial draft of follow-up memo to POTUS written by Sandalow, Orszag, and Gruber. Submitted to Sperling, McGinty, and Tarullo. Taskings to agencies for appendices.
Wednesday, September 24	Oversight meeting in Gene's office to cover diplomatic strategy, economic analysis, and short-term Hill strategy.
Thursday, September 25	Oversight meeting in Gene's office to clear on POTUS memo and prepare for principals meeting. Sperling holds meeting with Klain, Podesta, Begala, Rahm, Hilley, Stern, and McGinty to discuss political ramifications of different domestic implementation strategies
Friday, September 26	Principals meeting led by Sperling, McGinty, and Tarullo on: -- Technology, -- Auctioning vs. grandfathering, and -- Tasking for recommendations
Monday, September 29	Principals meeting led by Sperling, McGinty, and Tarullo to cover: -- Recommendations regarding specific options on targets and timetables, domestic implementation (auctioning vs. grandfathering), and other policy options to achieve target and timetable (including technology package).
Tuesday, September 30	Oversight meeting led by Sperling, McGinty, and Tarullo. Memorandum from Sperling, McGinty, and Tarullo submitted to POTUS following up on questions raised during September 18 meeting: -- Emissions sources, -- Mandates vs. permits, -- Grandfathering vs. auctions, -- Costs of gradual and aggressive actions,

Friday, October 3 (no later than, and if possible, earlier)	Briefing book submitted by Sperling, McGinty, and Tarullo to POTUS with summary NEC/CEQ recommendations memo. Attach as an appendix individual submissions from Cabinet secretaries, and other background papers (e.g., from Assistant Secretaries working group) as appropriate.
	Memorandum from NEC/CEQ/NSC on diplomatic strategy submitted either as part of briefing book or separately.
Monday, October 6	White House conference on climate change
October 6-10	POTUS makes final decisions on U.S. position for Kyoto and beyond
Friday, October 10	Decision on U.S. Negotiating Position for Kyoto
October 12-19	POTUS visit to Latin America
Monday, October 20	Negotiations begin in Bonn
Tuesday, October 21	Potential announcement of U.S. position for Kyoto
Wednesday, October 29	Chinese state visit
November	Intense diplomatic campaign, formulating precise negotiating instructions, and working with domestic constituencies
DECEMBER 1-12	KYOTO

TASKS

- Sandalow, Orszag, and Gruber draft memorandum following up on POTUS questions. Sperling, McGinty, and Tarullo submit memo on Friday, September 26.
- DOE, Orszag, and TJ organize technology discussion and options.
- Treasury and CEA discuss economic analysis with oversight team.
- Sperling to flesh out domestic political reaction to various implementation strategies.
- Dan Tarullo to work with Jim Steinberg on diplomatic strategy.
- Sperling, McGinty, and Tarullo submit recommendation memo on Wed., October 1.
- McGinty and Sandalow facilitate EPA paper on grandfathering and draft early credit paper.
- Frankel analyzes impacts of various targets and timetables on European economies.
- Treasury to develop revenue recycling proposals.
- Treasury and NEC to develop tax cut proposals that could spur R&D and dissemination on renewable energy and other carbon reduction options.

Cap. = d
H. Hilley
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THE PRESIDENT HAS SEEN

9-29-97

'97 SEP 22 PM 6:17

THE WHITE HOUSE

WASHINGTON

September 22, 1997

RECOMMENDED TELEPHONE CALL

TO: Congresswoman E. B. Johnson, D-Texas

DATE: September 23, 1997

RECOMMENDED BY: John Hilley *John Hilley*

PURPOSE: To discuss the political aspects of Fast Track legislation.

BACKGROUND: Congresswoman Johnson's support for trade has been steadfast over the years and she believes in fast track on the merits; however, she has been hit hard by organized labor and needs reassurance.

CONTACT PERSON AND PHONE NUMBER(S): Rep. Eddie Bernice Johnson
202-225-8885

DATE OF SUBMISSION: September 22, 1997

ACTION: _____

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THE PRESIDENT HAS SEEN
9-29-97

'97 SEP 23 AM 10:48

THE WHITE HOUSE
WASHINGTON

September 22, 1997

RECOMMENDED TELEPHONE CALL

TO: Congressman Ike Skelton, D-Missouri

DATE: September 23, 1997

RECOMMENDED BY: John Hilley *John Hilley*

PURPOSE: To discuss the political aspects of Fast Track legislation.

BACKGROUND: Currently undecided, Representative Skelton describes himself as "gettable" and his vote will heavily influence how Representative Karen McCarthy votes. You should offer him reassurance and discuss any concerns he may have with the legislation.

CONTACT PERSON AND PHONE NUMBER(S): Rep. Ike Skelton
202-225-2876

DATE OF SUBMISSION: September 22, 1997

ACTION: _____

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No Conf in
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'97 SEP 28 PM 1:31

September 28, 1997

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SUNNY HUBER
~~JAN ON TYPEN~~

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G. BROWNEY
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A ROWNEY/KLIN J.
FARLEY
JONES & CHANDLER

per Medicare Commission--8 chosen by [redacted]
appointed Chairperson-- we are
(with supporting rationale) for the four
ou to make by December 1st. We also lay
mutually agreed to by the Republican
by a discussion of alternative candidates

SUBJECT: Medicare Commission

Following up a recent internal meeting on the 17-member Medicare Commission--8 chosen by Democrats and 8 chosen by Republicans, with a jointly appointed Chairperson-- we are forwarding you a preliminary set of recommendations (with supporting rationale) for the four slots that the Balanced Budget Act (BBA) authorizes you to make by December 1st. We also lay out options for the Chair, which as you know must be mutually agreed to by the Republican Leadership. These recommendations are supplemented by a discussion of alternative candidates considered, as well as some background information that we believe is important to inform your thinking on this matter.

Late last week, we convened a meeting in Erskine's office to solicit further suggestions from us, John P., Rahm E., Ron K., John H., Frank R., Jack L., Janet Y., Chris J., and Donna S. about possible appointments to the new Medicare Commission. We reviewed a list of possible candidates — informed from your response to our last memo — to determine if we could agree on a preliminary list of suggestions for your consideration.

We also received a status report from Chris on the direction the Hill appears to be going with its appointments. In short, despite early indications to the contrary, it appears that the Leadership is caving in to pressure from the Members to have a large number of Congressional representatives serve on the Commission. As of now, Members being seriously considered include Senators Gramm (R-TX), Frist (R-TN), Roth (R-DE), Mack (R-FL), Kerrey (D-ND), Rockefeller (D-WV), and Congressmen Thomas (R-CA), Bilirakis (R-FL), Stark (D-CA), and Dingell (D-MI). Of the remaining slots, most are likely to be awarded to conservative policy analysts who are almost always deferential to the Republican Leadership's priorities. AARP may still be in the running for a slot from the Speaker, but recent reports make it sound much less likely. Having said this, although the Republican and Democratic Leadership are clearly narrowing the field of possible candidates, final decisions do not appear imminent. Your advisors remain concerned, however, that an early announcement by the Hill would make your decisions more complicated and difficult.

[In addition, Gene has recently heard a rumor that the Republicans are creating two lists, one of members, and one of experts and that they may put down one list or the other dependent on what the Democrats propose. The member list may include William Roth, Phil Gramm and Bill Thomas while their expert list may include Gail Wilensky and Deborah Steelman].

Participants at the meeting voiced concern about the direction the Hill appears to be headed with their appointments. In particular, fears were raised about the risk of losing a few Commission members appointed by the Democrats to a fairly solid block of Republicans who support a seriously flawed recommendation. With this and our experience with other commissions in mind, we agreed that our highest priority for selecting appointees should be their qualifications and loyalty. Others also emphasized the need for people who would not be intimidated by the likes of Bill Thomas and, ideally, have the substantive knowledge and/or communication skills to be able to effectively sway other Commission members and the public at large.

Based on the discussion and the criteria outlined in our discussion, the meeting concluded with a preliminary recommendation for four people to fill the slots the BBA allocated to you: Tom Downey, Tom Jones, Laura Tyson, and Bruce Vladeck. We are also recommending that Alice Rivlin be appointed Chair. The rationale behind our recommendation is outlined below, along with a few sensitive issues for you to consider.

TIMING

Bob Nash wants you to know that it is important for you to make decisions as soon as possible because the rules require us to vet your candidates-- which takes approximately four weeks. The absolute latest date that you can make your selections is November 1, 1997 because appointments must be made by December 1, 1997. Congress is not required to vet their selections.

POSSIBLE MEMBERS

TOM DOWNEY, Democrat from New York. Prior to leaving the Congress and becoming a consultant/lobbyist, Tom Downey served on the Ways and Means Committee (one of the two major Committees with jurisdiction over Medicare). Although he is not viewed to be a Medicare expert, he understands the core policy and political issues surrounding the program. His relationships with Members on both sides of the aisle would serve us well. Most important, every one of your advisors believe he would be unquestionably loyal to your priorities.

Potential Downside: Less expertise and would have to get clearance on his current clients.

Sponsors: Originally recommended by Ron Klain; has strong support among all of us.

TOM JONES, Democrat from New York. As the Chief Executive of Smith Barney Asset Management, Travelers Corporation and as the former President of the TIAA-CREFF pension fund, Tom Jones would bring to the Commission a well-respected and creative business perspective. He has been the Administration's choice to fill numerous positions, but so far has declined — indicating that he would only want to be considered for a serious Commission or

similar part-time appointment. As an African American, he would add much-needed diversity to our pool of perspective candidates.

Potential Downside: While his views on Social Security are consistent with ours, his thinking on Medicare is currently unknown; we cannot be certain he would reject options (like a traditional defined contribution) that the business community finds attractive but we find objectionable.

Sponsors: Originally recommended by Gene Sperling; supported by Frank Raines and has been favorably reviewed for other jobs by Bob Nash and the Treasury Department.

LAURA TYSON, Democrat from California. An economist, former NEC Chair and Co-Chair of the Administration's Health Policy Development process, Laura's exceptional intelligence, experience, and communication skills would serve us well on the Commission. Although she values her reputation as an independent thinker, few doubt that she would be loyal to bottom-line Administration priorities— Laura herself has made that clear to us.

Potential Downside: Could contribute to the perception that we are filling our appointments with "insiders"; would create a majority of appointees who are not Medicare experts.

Sponsors: Originally recommended by Gene Sperling and Chris Jennings; has strong support from Erskine, Donna and others.

BRUCE VLADECK, Democrat from New York. Bruce Vladeck is recognized as one of the nation's leading experts on Medicare. His expertise and ability to think on his feet would be invaluable not only to influence the entire Commission, but to inform our members. He is known and respected by the likes of Bill Thomas, and would not hesitate to stand up to Members if they pushed too hard in the wrong direction. His work for our position on this year's budget bill's Medicare and Medicaid provisions was invaluable to picking up Democratic-base (Members, unions, and aging advocates) support.

Potential Downside: Although the BBA of '97 has significantly changed this, Bruce may not have completely shaken the reputation of being a defender of the status quo.

Sponsors: Originally recommended strongly by Donna Shalala; is also strongly supported by Chris Jennings, Jack Lew, and Gene Sperling. There was support for Judy Feder, Marilyn Moone, a Medicare Trustee and renowned Medicare expert, and Stuart Altman, the past (1984-1996) chair of the Advisory Board to the Congress that makes recommendations on Medicare Part A reform issues for this slot.

SENSITIVE ISSUES

Vladeck or some other expert: While Bruce Vladeck is our choice, there was some discussion of whether some other expert like Judy Feder would be more reliable in representing the Administration's positions. Erskine raised the issue of whether Bruce would tend to be more loyal to Donna who is his strongest proponent. Those who know him best feel there is little risk that he will not oppose positions that we find highly objectionable, but feel there may be some risk that he could resist supporting new or innovative measures he thinks are not sound. With Judy Feder, the main risk would be if she were faced with the choice between taking our position and one widely

supported by liberal groups (such as the welfare reform scenario); she could feel compelled to side with the liberal views. Chris Jennings, who has worked with both, feels that despite concerns Bruce would be at least as loyal and responsive as Judy. Based on this assessment and his overall qualifications, Chris, Jack and Gene think that Bruce is the stronger choice although we remain positively disposed towards Judy. If more than one influential health policy expert is desired and possible, Stuart Altman or Marilyn Moon are attractive options.

Marilyn is an extremely well respected analyst among the media and other public validator elites. Stuart's past work with both Republican and Democrats would probably give him more stature and influence among many likely commission members. He is a registered Independent whose 1992 endorsement of you helped tremendously with the health community.

Potential departures: If Jack Lew were to decide in the next several weeks to leave the Administration, both Erskine and Gene feel that he would be a definite pick. Under this scenario, we would want to review our full range of members with that in mind. The same could be considered if John Hilley were to make a similar decision.

Other strong candidates: Many well qualified, strong candidates have been considered and may still be good choices:

Jack Rowe: Bob Rubin singled out Jack Rowe as his primary recommendation for the Commission. Jack Rowe is the President of New York's Mt. Sinai School of Medicine, and Senior Professor of Medicine and Geriatrics. As a physician and a geriatrician, as well as administrator of a major academic health center, Jack would bring a wealth of non-Washington, D.C. experience. He is a progressive Democrat whose views are in line with Administration priorities. His primary drawbacks are that he is not a health care financing expert and, despite Bob's good relationship, not as well known to the rest of us. In addition, Bruce Vladeck will be working at Mt. Sinai later this Fall and it seems doubtful that we would pick two people from the same institution.

Congressional Members & outside group representatives: As you know, our position has been that the Commission include experts, not Congressional Members or individuals representing any specific interests/organizations (aging advocates, health care providers, or unions, for example). These types of candidates have inherently conflicting priorities and will create too many demands on our few slots. John Hilley wants you to know about two Congressional Democratic developments. Senator Daschle has requested that we consider appointing Senator Rockefeller in exchange for a health care expert of our choosing for his remaining slot. Reportedly, Senator Kerrey has the other slot. John does not feel that Senator Daschle's request is a make-or-break proposition, but wanted you to know. In addition, Senator Breaux has been lobbying quite hard to be considered by you.

Others: Finally, you expressed interest in Mario Cuomo and Bob Greenstein. Both have been friends of the Administration and have strong credibility in the Democratic base. Governor Cuomo has expressed interest in the job. Neither is currently a Medicare expert but Bob would become one shortly and Governor Cuomo would take the substance seriously as well. Yet both pride themselves on being independent and outspoken.

POSSIBLE COMMISSION CHAIR

From our initial list of candidates, the individual who emerged most positively out of the discussion was Alice Rivlin, as described below. Since the Chair must be agreed to by the Republicans, there will necessarily be consultation with the Hill. Chris informed us that some of the candidates that the Republican Leadership is considering include: Howard Baker, Jim Baker, Senator Danforth, Senator Kassebaum, Senator Dole, and Senator Nunn. Of that list, the only person who received even modest interest from your advisors was Howard Baker. Ron K. strongly insisted that discussion about Howard Baker go no further until we have a better idea of where the former Majority Leader would like to take such a Commission (we are presently looking into this). Senator Kassebaum was viewed as an unlikely choice and someone who is nice, but possibly weak.

Alice Rivlin: Although Alice may not be as strong politically as others, we feel confident that her policy instincts on Medicare are sound. She truly has earned a non-partisan reputation that might make her an acceptable choice with the Republicans and good at brokering a set of recommendations. And, having an extremely well-qualified woman chair the Medicare Commission has broad appeal as well. Unfortunately, OGC has just informed us that they do not believe that Alice can concurrently serve on the Federal Reserve Board and as Chair of the Commission. (We are seeking final clarification on this issue.) If we are interested, however, it is possible she would be willing to step down to take the Chair.

Bob Ray: Governor Ray is well respected and was viewed very positively all who knew him or of him in our meeting. However, Donna reports that Bob will almost definitely turn down the Chair. He has just been elected the mayor of Indianapolis and is concerned about continuing to serve on the Quality Commission let alone take on a post on the Medicare Commission. Having said this, some of his staff suggest he may be interested; we are looking into this.

Herb Stein: While no Medicare expert, Herb Stein would be an ideal Chair. He is an honest broker, a former Republican CEA Chair, thoughtful, and moderate. The main concern is his age: he is 82 years old. He is still sharp, but this Commission may be too much for him at this time.

Tom Jones: Another option that Erskine raised after the meeting was Tom Jones be Chair. While a Democrat, he is not known politically, could be acceptable to Republicans, and, as a top business executive, may be effective at driving the process. Erskine believes we would have to know Jones's position better before pursuing this option.

SENSITIVE ISSUES

Lloyd Bentsen: Your support for Lloyd Bentsen received initial favorable reviews from members of the economic team, but drew serious concerns from your health care and Congressional advisors. John Hilley, Jack Lew and Chris Jennings fear he might try to bend over backwards to show the Republicans he is a fair dealer. Moreover, whether formally or not, he would probably turn to Marina Weiss to be Executive Director of the Commission — someone who retains very little trust from our Democratic base on Capitol Hill. You should note that Bob Rubin was not a part of this discussion.

John Breaux: He has expressed strong interest in being the Chair of the Committee. He says he has Senator Lott's support. Breaux's pluses and minuses are that he is the consummate deal maker. If we are interested, however, we should keep quiet about it and certainly not express early enthusiasm--as that would likely drive Republicans away from possibly supporting him.

THE PRESIDENT HAS SEEN
9-29-97

'97 SEP 28 PM3:38

Handwritten signature/initials

September 29, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: ELLEN McCULLOCH-LOVELL

SUBJECT: ANNOUNCEMENT IN ARTS AND HUMANITIES AWARDS SPEECH

Your speech for the National Medals for the Arts and the National Humanities Awards contains an announcement which illustrates how the federal agencies and private sector are carrying out millennium projects.

On October 27, the National Endowment for the Humanities, in cooperation with MCI Telecommunications and the Council of Great City Schools, will throw the switch on a new educational web site, called EdSITEment. This site offers teachers, students and parents a navigational tool to find and select the highest quality, content-rich sites from among the 66,000 educational sites now accessible on the Internet. A panel has selected the initial twenty sites, which will then provide tools for learning history, social studies, literature, art history and languages. The full program includes learning guides activities in selected school districts. More sites will be screened and added in the coming months.

MCI and the NEH announced the \$500,000 grant from MCI to create EdSITEment six months ago; on Monday you will announce that the site is ready to go on line October 27, 1997.

Some of the sites that are being linked are: American Memory -- the archival resources of the Library of Congress; The Galileo Project -- the history of modern science reflected in the life of its first practitioner; Native Web -- links to information about indigenous peoples all over the world; and the Perseus Project -- maps, texts, translations and commentary for students of ancient history. A list is attached.

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EDSITEment

is designed to make the Internet teacher-friendly. It can streamline your time online by connecting you quickly to websites with real educational value, websites screened by a rigorous academic review process and endorsed by a distinguished panel of educators and parents. And EDSITEment offers customized learning guides, online and in print, to help you turn the resources of cyberspace into lesson plans that really work.

With EDSITEment you can...

- Find the right resources for bringing today's lesson to life, without having to leave your classroom.
- Discover new resources for adding an interdisciplinary dimension to courses in history, social studies, literature, language arts, foreign languages, and the history of art.
- Download all the resources you need — poems, stories, novels, historical documents, photographs, fine art reproductions, maps, sound recordings, even film clips — to make your teaching effective.



EDSITEment is designed to make the Internet teacher-friendly. It can streamline your time online by connecting you quickly to websites with real educational value, websites screened by a rigorous academic review process and endorsed by a distinguished panel of educators and parents. And EDSITEment offers customized learning guides, online and in print, to help you turn the resources of cyberspace into lesson plans that really work.

So find out what the EDSITEment is all about! Visit us online at <http://edsitement.neh.fed.us>

Or call EDSITEment toll-free for more information:
1-800-NEH-1121.

EDSITEment features these outstanding websites — <http://edsitement.neh.fed.us>

African Studies WWW (University of Pennsylvania)

Cultural, educational and statistical resources covering the continent.

American Association of Teachers of French

Resources for students of French and worldwide Francophone culture.

American Memory (Library of Congress)

Archival resources for exploring many aspects of the American Experience.

ArchNet

A virtual library of images and field data for archeological study.

Columbus and the Age of Discovery

Multiple perspectives on the voyage to the New World.

The Detroit Institute of Arts

An electronic gallery of artworks from all periods and cultures.

The Galileo Project

The history of modern science reflected in the life of its first practitioner.

HTI American Verse Project

Electronic archive of American poetry prior to 1920.

Labyrinth: Resources for Medieval Studies

Texts, images, and commentary for students of antiquity and the middle ages.

LANIC: Latin American Network Information Center

Resources for the study of South American, Central American, and Caribbean culture.

Nathaniel Hawthorne

A richly documented portrait of the author of *The Scarlet Letter*.

National Archives and Records Administration

Online exhibits revealing the history hidden in government documents.

NativeWeb

Links to resources concerning indigenous peoples from around the world.

New Deal Network

Resources for the study of FDR and his Depression-era programs.

Oyez, Oyez, Oyez: A Supreme Court WWW Resource

Court opinions and multimedia resources on major constitutional issues.

Perseus Project

Maps, texts, translations, and commentary for students of the ancient world.

Romantic Circles

Texts and contexts for the study of Byron, Keats, the Shelleys and their contemporaries.

SARAI: South Asia Resource Access on the Internet

Links to information about India, Pakistan and other South Asian countries.

The Valley of the Shadow

Multimedia resources bring to life two communities divided by the Civil War.

The Victorian Women Writers Project

Resources for students of 19th century British literature.

And new websites will add to the EDSITEment in coming months!

THE PRESIDENT HAS SEEN
9-29-97

Rec'd 9/23/97
6:00 pm

THE WHITE HOUSE
WASHINGTON

September 23, 1997

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MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

FROM: MARIA ECHAVESTE, SYLVIA MATHEWS, AND JUDITH WINSTON

SUBJECT: RACE DIALOGUE WITH CORPORATE CEOs

You have asked us to initiate a process in response to Weldon Latham's proposal to you to "secure significant participation from CEOs of major corporations and CEOs of successful minority businesses in the dialogue on race." This memorandum briefly sets forth our proposal as to how we should proceed with Weldon's welcome proposal.

Proposal

We propose to ask Weldon Latham, Bob Johnson, the CEO of BET, Advisory Board Member Bob Thomas, an Asian CEO, a Hispanic CEO, and two additional prominent CEOs to put together a business plan for your review for engaging a broad range of businesses in your Race Initiative.

Objectives

In an effort to achieve your goal of recruiting leaders in this endeavor, the objectives of this proposal are: (1) to encourage corporate CEOs to take a leadership role in engaging the broader business community -- and the local communities in which they operate -- in our national conversation on race; and (2) to seek the help of these CEOs in identifying and promoting promising corporate practices designed to foster diversity in the business world.

Process

Board member Bob Thomas and his staff would work together with Weldon Latham, Bob Johnson, and other business leaders to design and implement a process to engage several corporate CEOs in your Initiative. Cheri Carter, from the White House Office of the Public Liaison, and Jim Blount, from Treasury's Public Liaison office, would work with them during the development of the work plan. If the work plan is approved, they would work together to implement it.

If this proposal meets your approval, it may be possible for Bob Thomas to update you on the status of their work plan at the September 30 Advisory Board meeting.

☒ Approve

☐ Disapprove

☐ Let's Discuss

cc: Erskine B. Bowles

Remember Weldon Latham
The CEO guy w/ whom Latham
should be involved -

TIME OF TRANSMISSION:

TIME OF RECEIPT:

WHITE HOUSE SITUATION ROOM

'97 SEP 24 PM 7:00

PRECEDENCE: _____

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MESSAGE NO: _____ CLASSIFICATION: Unclassified PAGES: 2
(Including Cover)
FROM: Phil Caplan 202 / 456-2702 G FL / WW
(NAME) (PHONE NUMBER) (ROOM NO.)

MESSAGE DESCRIPTION: Echaveste/Mathews/Winston memo re "Race Dialogue
with Corporate CEOs"

<u>TO (AGENCY)</u>	<u>DELIVER TO</u>	<u>DEPT/ROOM NO.</u>	<u>PHONE NUMBER</u>
	To: Stephen Goodin for the President (please give Stephen		2 copies)
	cc: Sylvia Mathews		

REMARKS:

rec'd 9/23/97
6:00 pm

THE WHITE HOUSE

WASHINGTON

September 23, 1997

MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

FROM: MARIA ECHAVESTE, SYLVIA MATHEWS, AND JUDITH WINSTON *per for SMART* *Jaw*

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If this proposal meets your approval, it may be possible for Bob Thomas to update you on the status of their work plan at the September 30 Advisory Board meeting.

_____ Approve _____ Disapprove _____ Let's Discuss

cc: Erskine B. Bowles

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the african-american

struggle for civil

and economic equality

THE DUAL

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9-29-97



DONA COOPER HAMILTON and CHARLES V. HAMILTON

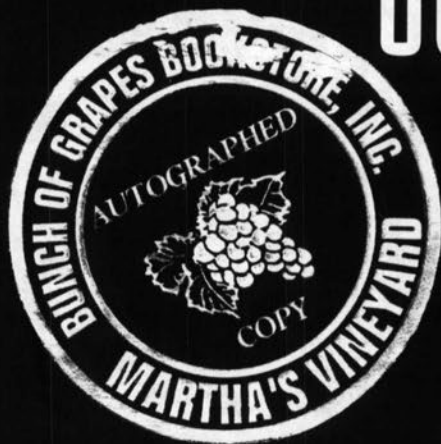
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the african-american

struggle for civil

and economic equality

THE DUAL AGENDA



DONA COOPER HAMILTON and CHARLES V. HAMILTON

Power, Conflict, and Democracy Series

Robert Y. Shapiro, Editor

Power, Conflict, and Democracy:

American Politics Into the Twenty-first Century

This series focuses on how the will of the people and the public interest are promoted, encouraged, or thwarted. It aims to question not only the direction American politics will take as it enters the twenty-first century but also the direction American politics has already taken.

The series addresses the role of interest groups and social and political movements; openness in American politics; important developments in institutions such as the executive, legislative, and judicial branches at all levels of government as well as the bureaucracies thus created; the changing behavior of politicians and political parties; the role of public opinion; and the functioning of mass media. Because problems drive politics, the series also examines important policy issues in both domestic and foreign affairs.

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Hanes Walton, Jr., *African-American Power and Politics: The Political Context Variable*

The Dual Agenda

Race and Social Welfare Policies of Civil Rights Orga

Dona Cooper Hamilton and Charles V. Hamilton



Columbia University Press

New York

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THE PRESIDENT HAS SEEN
9-29-97

THE WHITE HOUSE
WASHINGTON

'97 SEP 28 PM 2:16

September 28, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

SUBJECT: Income and Poverty Numbers for 1996

Tomorrow, the Census Bureau will release their annual survey of income and poverty in America for 1996. Janet Yellen's attached memo reflects some of the findings reported by the Census. The attached fact sheet and charts present additional facts that have interested you in the past, while highlighting the progress made in several categories since 1993. You should know that while this year's report is still overall good news, it was not as strong as we expected.

The attached fact sheet and charts presents some statistics differently than the Census Bureau and CEA, so it is important that you understand the context of the numbers.

I. Family Income Up \$2,169 Since 1993.

As you know, between 1993 and 1995, median family income, adjusted for inflation, had risen \$1,631. Today's report shows that it rose \$490 more in 1996 -- so that it is up \$2,169 between 1993 and 1996. (The reason family income is up \$2,169, after a \$490 rise is that the \$1,631 number was in 1995 dollars, which is equal to \$1,679 in 1996 dollars.)

The Census report, however, highlights the household income number. Last year, both median household and median family income grew 1.2 percent in real terms. Since 1993, real median family income is up \$2,169, while real median household income is up only \$1,570. (The difference between the households and families is that families are defined as two or more related individuals living together, while households includes all families plus single people and unrelated people living together.)

We have always cited the family income numbers, so I believe that we should continue to do so.

II. Additional Points of Special Interest To You.

Last year, you were very concerned that median income among Hispanics had fallen. You will be happy to know that the income of the median Hispanic household, adjusted for inflation, increased from \$23,535 in 1995 to \$24,906 in 1996 -- that's an increase of \$1,371 or 5.8 percent in one year, the biggest one-year increase on record.

The Census report also shows that African-Americans are doing very well in terms of improvements in income and poverty. African-American income increased again last year. Since 1993, the median income of African-American households has increased \$2,273, adjusted for inflation. In 1996, the African-American poverty rate declined to 28.4 percent -- its lowest level ever recorded. Moreover, since 1993, the African-American poverty rate has dropped from 33.1 percent to 28.4 percent -- that's the largest three-year drop in African-American poverty in nearly 30 decades (1967-1970).

Furthermore, the report showed that child poverty was down, although not as much as we would have liked. In 1996, the child poverty rate declined from 20.8 percent to 20.5 percent. Since your Economic Plan passed in 1993, the child poverty rate has declined from 22.7 percent to 20.5 percent -- the biggest three-year drop in 30 years (1966-1969). In 1996, the African-American child poverty rate fell to 39.9 percent -- its lowest level since 1974. Since 1993, the child poverty rate among African-Americans has plummeted from 46.1 percent to 39.9 percent -- that's the biggest three-year drop on record.

III. Understanding the Statistics on Inequality.

The Census report shows that income inequality increased slightly last year and the income of the bottom 20 percent fell. While these numbers are disconcerting at first glance, a closer look shows some positive signs.

- The larger positive trend during your Administration is that after income inequality -- as measured by the Gini coefficient -- had risen for 20 years, it has stayed flat since your Economic Plan passed. Specifically, in 1994, it was unchanged; last year, it fell; and then in 1996 it increased. You should note that each of the changes in the past three years have been "statistically insignificant." Last year we made the decision that even though the drop was "not significant" it was still the largest drop in nearly three decades and thus was an important point to make. Moreover, calling something that could be economically significant, but not technically statistically significant, could be misconstrued.
- Since 1993, every income group -- from the most well-off to the poorest -- has experienced a real increase in their income, with the poorest 20 percent of American households experiencing the biggest percentage increase (6.8 percent). See attached chart.
- On an after-tax basis, incomes increased at all points in the income distribution, including the bottom. The after-tax household income of the family at the 20th percentile rose 3.3 percent in 1996, more than at any other point in the income distribution. (You should note that the Census does not provide after-tax data for families, they only provide it for households.)

20%
after-tax

IV. Impact of EITC.

We are still trying to figure out why before tax income fell, but after-tax income rose, for households at the bottom of the income distribution. While the EITC seems to be a contributor to the rise in after-tax income for families at the bottom, we are unable to make a more definite determination at this time. We will work on this with CEA and Commerce in the coming days and will get back to you.

We can make more definitive statements, though, about the impact of the EITC on poverty. The overall poverty rate does not include the effects of the EITC, but the Census Bureau does provide alternative measures of poverty that allow us to estimate the EITC's impact. Using these measures, we estimate that 4.3 million people were lifted out of poverty by the EITC in 1996 -- that's 2.2 million more people than were lifted out of poverty by the EITC in 1993.

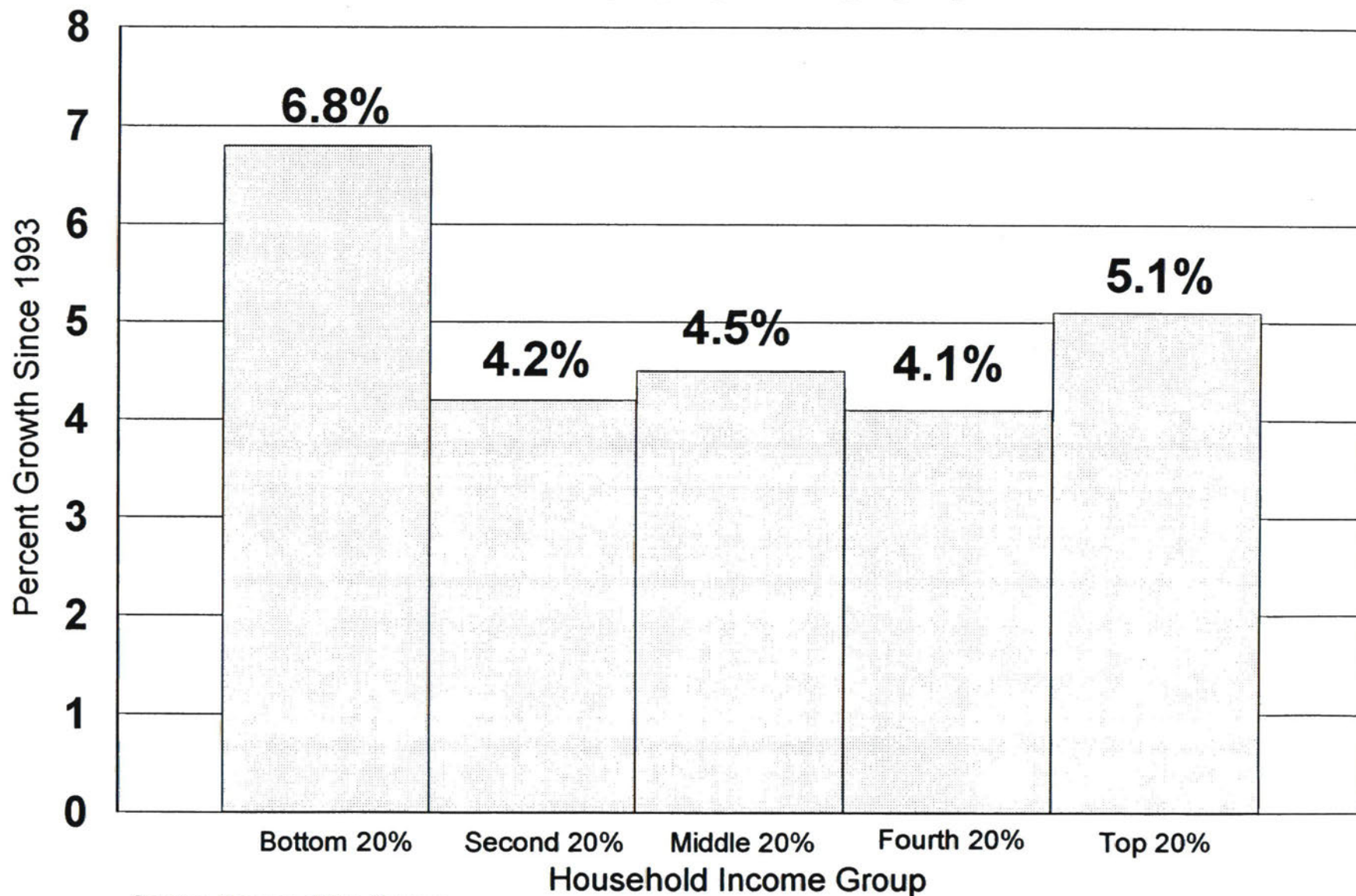
KEY FACTS on CENSUS INCOME AND POVERTY REPORT

September 29, 1996

TODAY, THE CENSUS BUREAU RELEASED A REPORT ON INCOME AND POVERTY IN AMERICA IN 1996. HERE ARE SOME OF THE RESULTS:

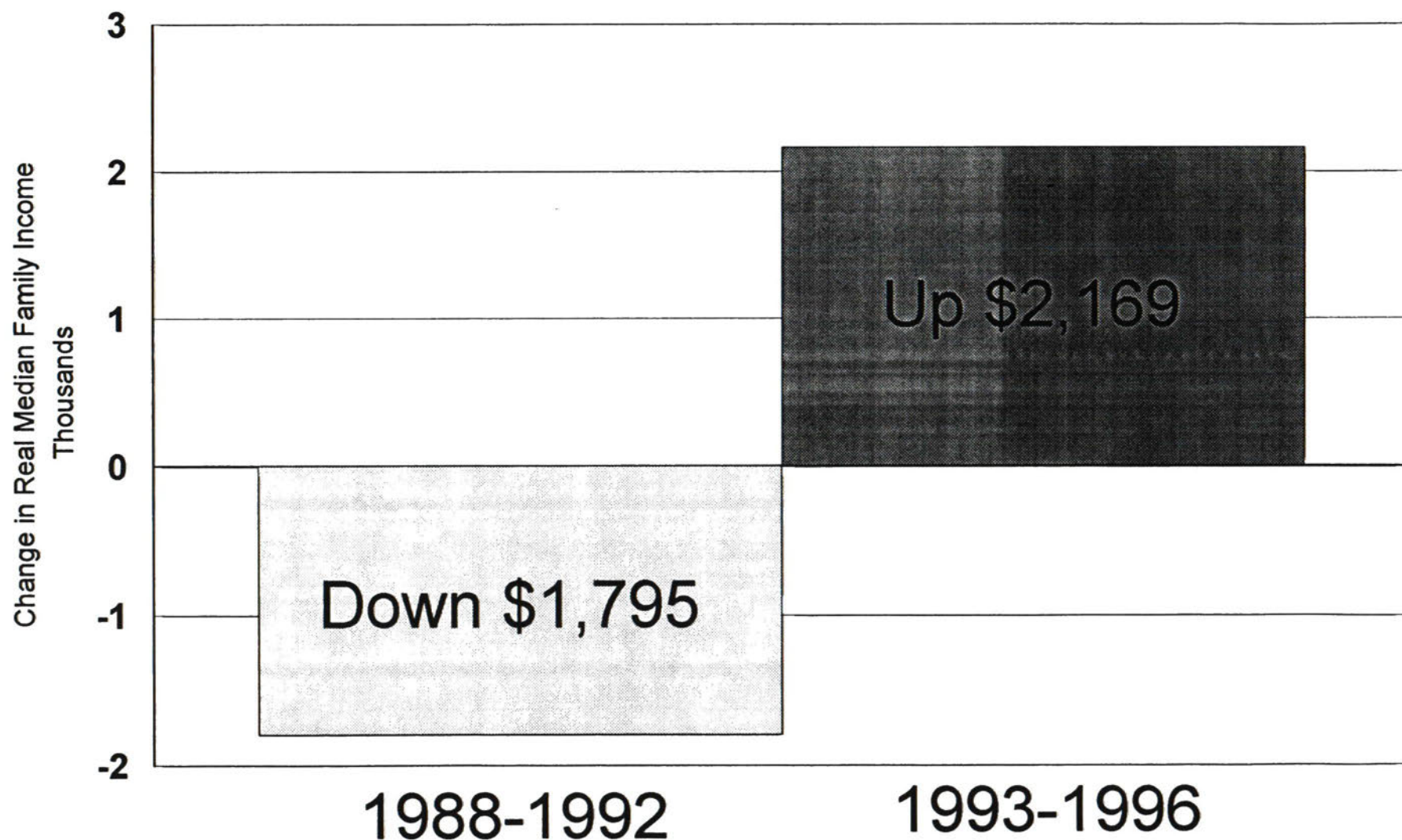
- **Typical Family Income Up \$2,169 Since 1993.** Last year, the median family's income, adjusted for inflation, increased 1.2 percent -- the third consecutive yearly rise. Since President Clinton's Economic Plan passed in 1993, median family income has increased from \$40,131 in 1993 to \$42,300 in 1996 -- that's a \$2,169 increase in income, adjusted for inflation. From 1988 to 1992, median family income fell \$1,795, adjusted for inflation.
- **Under President Clinton, The Typical African-American Household's Income Is Up \$2,300.** Since 1993, the median income of African-American households has increased from \$21,209 to \$23,482 -- that's \$2,273 or an 11 percent increase, adjusted for inflation, between 1993 and 1996.
- **Income of Typical Hispanic Household Increased \$1,400 Last Year.** After dropping the previous year, the income of the median Hispanic household, adjusted for inflation, increased from \$23,535 in 1995 to \$24,906 in 1996 -- that's an increase of \$1,371 or 5.8 percent in one year, the biggest one-year increase on record.
- **All Income Groups Have Seen Incomes Rise Since 1993.** Since 1993, every income group -- from the most well-off to the poorest -- experienced a real increase in their income, with the poorest 20 percent of American households experiencing the biggest percentage increase (6.8 percent).
- **Inequality Rose Slightly, But After-Tax Incomes Up for All Income Groups.** After rising for nearly 20 years, income inequality has stayed constant over the last three years; after dropping in 1995, it rose slightly in 1996. And while the real income of the bottom 20 percent of American households stagnated last year on a before-tax basis, it increased 3.3 percent on an after-tax basis, from \$7,927 in 1995 to \$8,263 in 1996. In 1996, incomes rose at all points in the income distribution on an after-tax basis.
- **Poverty Rate Fell To 13.7 Percent in 1996 -- Down from 15.1 Percent in 1993.** In 1996, the poverty rate declined to 13.7 percent from 13.8 percent the year before. Since President Clinton's Economic Plan was signed into law, the poverty rate has declined from 15.1 percent in 1993 to 13.7 percent last year -- that's the biggest three-year drop in the poverty rate in a decade.
- **The African-American Poverty Rate Dropped To Its Lowest Level In History.** In 1996, the African-American poverty rate declined from 29.3 percent to 28.4 percent -- that's its lowest level recorded since data were first collected in 1959. Since 1993, the African-American poverty rate has dropped from 33.1 percent to 28.4 percent -- that's the largest three-year drop in African-American poverty in nearly 30 decades (1967-1970).
- **Under President Clinton, Largest Three-Year Drop in Child Poverty Since 1960s.** In 1996, the child poverty rate declined from 20.8 percent to 20.5 percent. Since President Clinton's Economic Plan was signed into law in 1993, the child poverty rate has declined from 22.7 percent to 20.5 percent -- that's the biggest three-year drop in 30 years (1966-1969).
- **Child Poverty Among African-Americans Down To Lowest Level in More Than 20 Years.** In 1996, the African-American child poverty rate fell from 41.9 percent to 39.9 percent -- its lowest level since 1974. Since 1993, the child poverty rate among African-Americans has plummeted from 46.1 percent to 39.9 percent -- that's the biggest three-year drop on record.
- **4.3 Million People Lifted Out of Poverty By EITC -- Double The Number in 1993.** In 1993, President Clinton expanded the Earned Income Tax Credit, providing a tax cut for low-income working families. In 1996, the EITC lifted 4.3 million out of poverty -- that's 2.2 million more people than were lifted out of poverty by the EITC in 1993.
- **More Middle-Class Children Without Health Insurance.** The number of Americans without health insurance increased by 1.1 million to 41.7 million in 1996. Nearly three-quarters of this increase was due to a rise in the number of uninsured children (up 800,000), most of whom (500,000) were above the poverty line. These are precisely the kids who will benefit from the \$24 billion investment in children's health care which the President signed into law in August.

Growing Together: 1993-1996



Source: Bureau of the Census.

Median Family Income Up Nearly \$2,200 Since 1993



Source: Bureau of the Census.

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9-29-97

THE WHITE HOUSE
WASHINGTON

1997 SEP 27 4:38:55

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

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