

Chron

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Stanley K. Sheinbaum

9 December, 1997

THE PRESIDENT HAS BEEN
12-15-97

President Bill Clinton
The White House—West Wing
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Bill,

I suspect that more things are written about you than about me. Whatever, I have the odd habit of avoiding reading about myself most of the time. On the chance that you do similarly I am enclosing the two *New York Times* pieces of Sunday, December 7th, and Monday, December 8th—with emphasis on the second one. In what seems like a generation ago when you and Hillary had stayed a weekend with us we spent several hours around our round table with a stream of visitors one by one paying court. The conversations were primarily about what was in your head.

As an old-fashioned New Deal liberal—at least then—I remember having my political psyche shaken by you as you focused on things like family values and stuff like that there. While interesting and sweet I was not sure I got the connection between all that and my kind of liberalism. Then at a later date and after you had become President (of all of us) you added to my concern when you dropped the remark to the effect that the “era of big government is over”. More recently, however—and despite all that—I felt I was fighting a rear-guard action when any number of liberal friends—some of whom you know—began to climb all over me especially because of the welfare bill and other policies not to their liking. I tried to explain that especially in your second term you not only had received less than fifty percent of the vote (again) but this time you wound up with a Republican Congress, and that you weren’t exactly running things on your own.

I was only partially successful with those kind of arguments, and now along comes this beautifully done *New York Times* piece—especially the second one—that goes back to the very kinds of things you were talking about at our breakfast table. I am appalled at myself for not having articulated it on my own, but the Clinton track record comes through loud and clear. Your sloganeers should come up with something like “SMALL GOVERNMENT FOR BIG DEALS.” Maybe that’s not sexy enough. I’m too old to be sexy. (But I hope not.) Nevertheless, there is almost this, and naturally I am proud.

Warmly and with great respect,

Stanley

Stanley K. Sheinbaum
SKS/kc
enclosures

cc: First Lady Hillary Rodham Clinton

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Stanley likes
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12-15-97

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The New York Times

The New York Times

SUNDAY, DECEMBER 7, 1997

Printed in California

Casualty of Mystery

Were Found Pilot's Fate Unknown

BY MICHAEL WEINER

WASHINGTON, Dec. 6 — Four days after looking for wild wreckage, a U.S. military plane in Iraq stumbled upon the wreckage of an American

Naval F-18 pilot. The pilot, Lt. Michael Scott, was the last American lost in the Persian Gulf war, and the fate remains unknown. The plane was alerted by the U.S. Navy satellite over the Persian Gulf. It detected a man-made explosion in the area of the ejection seat. Documents say that U.S. officials thought Commander Scott might have survived. They said they had a mission to bring him back, no matter how long it took. Operations soldiers were on a mission to scour the area for his chances of survival, they said, and the response was very low. U.S. leaders balked, and the risks outweighed the

Shalikashvili, then Joint Chiefs of Staff, said, "I do not want to write the parents and tell them their son or daughter is dead." According to G. Connolly, then deputy secretary of defense, special operations officers who witnessed the statement in

Shalikashvili, now retired, said in a statement on Friday that no overwhelming evidence showed soldiers at risk to a three-year-old mission.

The secret mission, he said, was the agony of doing its duty without a "This mentality has more ramifications than we can imagine," said one general. "I requested an anonymous can do everything. I wouldn't ever suffer from invading every- from doing what's

aid the obligation of a comrade should be the risk of casualties. I believed they had said Stan Arthur, a four-star admiral, and naval forces in the Persian Gulf. I lost one of your sons and find him. The report was that you had a loss." The secret mis-



Stephen Crowley/The New York Times

President Clinton, in an interview in the Oval Office, set forth his goals for the end of his second term.

A Mellow Clinton at Ease in His Role

By RICHARD L. BERKE
and JOHN M. BRODER

WASHINGTON, Dec. 6 — President Clinton's friends and associates marveled for years at the zest with which he dived into the minutiae of policy and the latest blips of opinion polls. Now, major figures in Government say they are struck by the degree that Mr. Clinton drifts into soliloquies about another longtime passion, golf.

That Mr. Clinton's restless, voracious mind is wandering to the golf course is cited by some of his closest associates as a small yet telling example of how the Presidency is not engaging him in the way it did during his first term.

In dozens of interviews, some of Mr. Clinton's closest friends and

ON THE RECORD First of two articles.

advisers inside and outside the White House, as well as authorities on Presidential politics, agreed: Even with three years remaining, there was a conspicuous sense that Mr. Clinton is no longer consumed by big ideas and the prospect of major battles ahead. Liberals and moderates alike described Mr. Clinton as trapped in a risk-averse, aimless Administration of his own making.

Yet the portrait of a listless, distracted Chief Executive conceals a more complex reality. Mr. Clinton is far more in command and comfortable in his role with

more than 30 years of elections behind him, Mr. Clinton also believes that many of his goals have been achieved, and he is less urgent and more mindful of the realities of divided Government.

In an interview with The New York Times late this week, Mr. Clinton countered his critics by previewing what he described as an ambitious agenda for the next three years on matters ranging from education to health care to the environment to foreign policy. If the policy question is "a big issue," he said, "I'm just as involved as I ever was." [Excerpts, page 26.]

The President conceded that anyone in his job would be captive to the times. "Presidents are the

Continued on Page 24

Scores Die When Big Russian Jet Hits Apartments

By MICHAEL R. GORDON

MOSCOW Dec. 6 — A huge Russian military transport plane, carrying two fighter jets, smashed into an apartment complex in southern Siberia today in another major air disaster.

ed hospitalized were children from a nearby orphanage.

Rescuers battled not only the fire and smoke but sub-zero temperatures to pull survivors from the rubble, making precise casualty estimates all but impossible today. [By early Sunday, 38 bodies had been

lous about Russian aviation's dubious safety record, demanded a ban on flights over residential areas.

Trying to head off a public outcry, President Boris N. Yeltsin sent Prime Minister Viktor S. Chernomyrdin to the crash site to oversee

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Clinton's Second Term:

Continued From Page 1

custodians of the time in which they live as well as the instruments of the visions and dreams they have," Mr. Clinton said, sitting beneath a portrait of George Washington in the Oval Office. "So the first thing I had to start with was, you know, we don't have a war, we don't have a depression, we don't have a cold war.

"But," he went on, "what we do have is a breathtaking change going on as the economy and the societies in which we live become more globalized, as the information technology revolution continues to accelerate and as the world faces a whole new set of security threats as well as opportunities."

Others in Mr. Clinton's circle describe something of a second Eisenhower era, an era of economic good times and don't-rock-the-boat domestic policy. Indeed, Mr. Clinton has been frequently indulging in bouts of syrupy nostalgia and has slowed the pace of his day to allow more time for reflection — whether on weighty matters or on golf.

"It's golf, golf, golf — interspersed with politics," said Senator John B. Breaux, a Louisiana Democrat. Referring to the President's change in focus, he said, "He realizes you can't do everything at once; he's willing to accept smaller, incremental victories."

Further blurring his focus, Mr. Clinton is distracted by a flood of accusations about fund-raising abuses in his last campaign that are certain to dog him for the remainder of his tenure. As an added complication, Mr. Clinton finds himself spending a substantial amount of time traveling to fund-raisers to help pay off the Democratic Party's huge debts.

Another new reality for Mr. Clinton is that he is surrounded by a restless staff of aides who have either grown bored with their jobs or have been at the White House for far shorter tenures than the President. Some of his associates described a cautious White House where there are fewer sharp ideological debates than in the first term.

"He has a great deal of political capital — there's no point in hoarding it until it's too late to use it," said Robert B. Reich, the former Labor Secretary and friend of Mr. Clinton's for nearly 30 years. Dick Morris, the architect of Mr. Clinton's re-election campaign last year, has been more critical of the President since he resigned in August 1996 in a scandal involving his relationship with a prostitute. "Everybody wondered after the election whether he'd go to the left or to the right," Mr. Morris said. "Nobody thought he'd go to sleep."

Asked why several people described a sense of aimlessness in the White House, Mr. Clinton shrugged and said, "Beats me," and recited a list of accomplishments this year, including the balanced budget agreement, an increase in education aid, reforms at the Food and Drug Administration and the proposed expansion of the North Atlantic Treaty Organization.

Returning to the original question about people portraying him as aimless, Mr. Clinton said: "I can't answer that. I honestly don't know why that is. But all I can tell you is I'll do the very best I can to disabuse them of it every day I'm here."

A Fourth Term

A String of Goals, But No Single Priority

Aimless or not, there is wide agreement that Mr. Clinton is embarking on a new, uncharted stage of his Presidency, one that some Democrats described as a fourth term because the past five years can be divided into distinct periods: the shakedown cruise of 1993-94 in which the White House swerved from crisis to crisis, culminating in the collapse of the President's ambitious health care proposal and the Republican takeover of Congress; the starkly partisan confrontation over the budget in the next two years, and Mr. Clinton's political recovery and cooperation with the Republican-controlled Congress in 1996 and 1997.

Mr. Clinton is still devising an approach for this new fourth term. Aides said the President was constructing a new definition of the term "social security," by trying to stitch together a variety of medium-sized policies aimed at families into one big thought.

Glancing at notes he had jotted down, Mr. Clinton said in the interview that "there will be a lot to do" — and spoke of several goals for the next three years.

Mr. Clinton first cited education, saying he would continue to push for national standards in testing, the rebuilding of schools and technology for schools. He then moved on to describing ways to improve family life, like "broader family leave" measures, efforts to expand health care coverage, extend the Social Security system and improve race relations. He also previewed an agenda on the environment, food safety, biomedical research and a "huge foreign policy agenda" designed to "create a global system where the democracies of the world are cooperating more with shared markets."

Prospects for some items on the President's plate, like education reform, could be threatened by partisan contention on Capitol Hill. Others may not be easily achievable; restructuring Social Security, for example, could be a 10-year project. But other measures might be more popular on Capitol Hill, including family leave proposals and biomedical research.

In some areas, like food safety, Mr. Clinton could act through regulatory means. He might have a harder time on his ambitious foreign policy goals like bringing peace to Bosnia and improving relations with China.

Mr. Clinton did not cite any single issue as his overriding priority for the next three years. And one after another, White House advisers shrugged rather than even try to surmise how the second Clinton term would be remembered.

Asked for the biggest issue Mr. Clinton would tackle next year, Robert Squier, a veteran media consultant who attends regular political meetings with the President, replied: "I honestly don't know. I'm not sure he does either."

Robert S. Strauss, an elder statesman in

the Democratic Party who advises Mr. Clinton from time to time, said: "I think he's got a lot of problems ahead. Within and without the White House he's not long in talent around him. Everybody's going to want to take a shot at him in the next election. With two years to go, why not pile on? But he's not going to be an easy mark; this guy's smart and he's tough."

Vice President Al Gore, when asked aboard Air Force Two late one night recently to comment on the state of the Clinton Presidency, did not have to be reminded of the outpouring of criticism recently that Mr. Clinton had already become a lame duck. Mocking such talk, he flapped his arms and squawked, "Quack, quack, quack."

Mr. Gore then returned to his cabin to contemplate the question. Several minutes later, just after the plane landed at Andrews Air Force Base in Maryland, an aide returned with Mr. Gore's hand-written response: "I remember when some columnists and pundits decided in late 1994 that the President might no longer be 'relevant.' They even asked him at a press conference whether he thought he had any remaining relevance. Less than a year later he had single-handedly forced both houses of Congress to back down and re-open the Government — twice — abandon most of their 'Contract With America,' and instead adopt virtually all of his priority measures.

"Anyone," Mr. Gore continued, "who decides in late 1997 that the President's 'relevance' is in any doubt is making the same silly mistake all over again."

Still, there is a palpable sense, even among some of the President's closest aides, that Mr. Clinton is searching for his proper role. One aide explained that a sleepy Administration was inevitable. He said Presidents and their lieutenants function best in crises. (The tensions with Iraq did, briefly, force Mr. Clinton into a mode of high alert.)

"What you have over there are wartime generals," the aide said, pointing to the West Wing, "not peacetime generals."

'The Beige Bunch'

For Big Initiatives, Little Incentive

Perhaps the best gauge of the mellower tone is in the transformation of the meetings that take place in the Yellow Oval Room of the White House residence. In the two years leading up to the 1996 election, the meetings were the nerve center of the Clinton White House, where the President and his advisers plotted campaign strategy and, by extension, virtually every important policy move.

But those free-wheeling, hours-long sessions are history. While they still occur, they are no longer every week, they usually do not last more than an hour, and they have largely lost their luster without a campaign or a burning issue to galvanize the staff, several aides said.

"Most people don't find it useful," said one of the regulars, who spoke on the condition of anonymity. "It's more of a sentimental journey for the President."

Some Presidential advisers expressed concern that, at least in public perception, Mr. Clinton is becoming the kind of "in-box President" he accused George Bush of being in the 1992 campaign. "They have nothing to say to America," Governor Bill Clinton of Arkansas said in July 1992. "Nothing to be for. No record to run on. No vision of the future."

"He has the misfortune of coming to the Presidency at the time of limitation on the Federal role," said Senator Thomas A. Daschle of South Dakota, the Democratic leader. "Given the limitations on his budgetary and policy-making scope, it's unlikely that you'll see anything of a magnitude of a Lyndon Johnson or a Franklin Roosevelt or a Woodrow Wilson."

Mr. Clinton may have less incentive to offer big initiatives because his approval rating in most polls has remained rock steady at around 60 percent — an impressive level for any President. (In the first two years of his second term, Ronald Reagan's approval ratings were similar, until the fall of 1986, when his popularity began to slide after disclosure of the Iran-contra affair.)

Nor does there seem to be a great outcry from Americans for Mr. Clinton to intervene either more often or more forcefully in matters that affect their lives.

"You don't need 500 balls in the air," said Mark Mellman, a Democratic pollster who is close to the White House. "As far as the public is concerned, there aren't that many big things that need to be done."

More and more, the next three years will be shaped by Mr. Gore's ambition, as the President and his staff increasingly turn to positioning the Vice President to run for the office himself in 2000.

"There's just a kind of frittering quality to his leadership," said Fred Greenstein, a historian at Princeton University and an authority on the Presidency. "There is a lack of sustained focus and willingness to narrow on some things and really get behind them."

Mr. Clinton is not helped by the fact that many of his closest aides have departed. Many other advisers — most notably, Erskine B. Bowles, the chief of staff — have talked openly for months about leaving.

The departure of such hard-edged, liberal aides as Harold M. Ickes and the politically ambidextrous consultant Mr. Morris has substantially changed the tone and volume of debate.

"The ideological battle is over," said Rahm Emanuel, a senior Presidential adviser. "There is no doubt he is a New Democrat. You still have policy debates. But there are no ideological debates."

Mr. Bowles imposed a discipline that was lacking in the early years of the Clinton Presidency, which has led to a more temperate intellectual climate. The atmosphere is corporate, one aide noted, more mature but less invigorating.

"I call them the 'beige bunch,' one current

senior White House aide said, speaking on condition of anonymity, of the current team running the White House. "The chief of staff sets the tone and we all follow."

Despite the President's "social security" idea, Mr. Reich, the former Labor Secretary, said an excess of caution has seized the President when he could be proposing ambitious programs to address the anxiety of workers left behind by the booming technology-driven economy. He said he could understand Mr. Clinton's reluctance during the 1996 campaign to talk about society's losers. But he said the balanced budget and full employment presented Mr. Clinton with an opportunity to make significant strides in domestic economic policy.

Yet, Mr. Reich said, the "good news only" mindset of 1996 seems to still dominate White House thinking. "You now have a balanced budget that may even be in surplus and you have a legacy that up to now is primarily a Republican one," he said, "in the sense that it achieved some long-term Republican goals — balancing the budget, getting rid of welfare, cutting capital gains taxes and widening global trade."

Mr. Reich represents a frustration from the left of the party; plenty of Americans, no doubt, are not as eager to see the President embark on some of those initiatives.

Still, noting that Japan is weakened economically and the United States is indisputably number one, Mr. Reich said, "If there was ever a time to get on with the larger agenda, it is precisely now."

The Comfort Level

Quicker Decisions, And Ease With Power

The criticism of President Clinton doing too little could not be more different from when he began the Presidency and, as he himself has acknowledged, tried to do too much. His aides used to say that Mr. Clinton was plagued by a "paralysis of analysis."

The scene in the Oval Office was familiar: An undisciplined President who always seemed surrounded by aides, discussing and debating issues far longer than many thought was necessary. These days, it is more typical to find the President alone in his office, reading or talking on the phone. He usually begins his day between 8:30 and 9 A.M., later than in the heat of the campaign.

The President said he had grown more at ease in reaching decisions and handing tasks to aides. Unlike the 1995 budget negotiations, when Mr. Clinton attended dozens of meetings with lawmakers, he was rarely present in the budget meetings this summer, preferring to send Mr. Bowles and other emissaries.

"I might make more decisions based on a detailed memo without a long meeting than I would have otherwise," Mr. Clinton said. "If it's something where I have a higher comfort level and we've got a clear course estab-

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His friends and associates described Mr. Clinton as a leader who has internalized the office in a way he could not early on. "He doesn't think it is at all odd that when he walks in a room everyone stands up or when he's driven down the street there are 40 men with guns and there are helicopters," said one of Mr. Clinton's senior aides. "None of even his oldest friends feels it is odd to call him 'Mr. President' any more."

Vice President Gore also described a new comfort level. "He started out as a good President; he has become a great President," he said. "Difficult decisions that required much time in the early part of his first term are now made quickly and correctly — seemingly with little effort or angst."

As an example, aides recalled that Mr. Bowles confronted Mr. Clinton about making a decision on Speaker Newt Gingrich's offer to help salvage a vote in the House on expanding Presidential trade authority if Mr. Clinton would give ~~in on~~ restricting international support for abortions.

"We were in the Blue Room and Erskine walked up to him and said, 'Mr. President, I have to go in and see the Speaker and I have to give him an answer,'" a White House aide said. "Clinton turned right back and said, 'Erskine, I can't do that. This is principle.' Erskine sagged visibly. He sat down and said, 'Mr. President, you realize that could be the end of fast track.' He said, 'Erskine, can't give you that.' Erskine said, 'Yes, sir.'"

Describing the incident, the aide said: "He was astonished. In the past, there would have been first an explosion at Newt or the Democrats and/or the staff. He would have said, 'How can I make a decision at 11:20 night?'"

Mr. Clinton's defeat this year on the fast-track legislation, largely at the hands of members of Congress from his own party, was interpreted as an omen of difficulties that might await his future initiatives.

Richard W. Riley, the Education Secretary who is also an old friend of Mr. Clinton, said, "He seems like he's more wise in a lot of ways. He's not in such a hurry physically. He wants to stop and think things out."

Wiser, perhaps. But Walter Dean Burnham, a Government professor at the University of Texas at Austin, said that from the outside Mr. Clinton's appears to be a passive, "finger-in-the-dike Presidency" in which his mission is "to prevent the Republicans from going all the way with their agenda."

Mr. Burnham warned that "it's easy to underestimate a President because he's still got a lot of power." But, he added, "I don't think he has a very clear idea of where he wants to go from here."

The Sentimental Side

Looking at the End Of a Political Life

The President's well-known sentimentalism has lately turned inward as he looks at the changes in his personal life and the approaching end of his political career. At his 50th birthday celebration in 1996, he mused that he had seen "more yesterdays than

tomorrows." That is now true of his Presidency as well, and it seems to weigh on him at times.

Mr. Clinton is showing the physical signs of aging as well. His knee injury earlier this year was a reminder of the frailty of the human body and, far more than most people realized, it cramped his style. For two weeks, he was unable to leave the residence, even to cover the short distance to the Oval Office. His recovery — which took three to four months — appears to have made him more determined than ever to enjoy his time on the golf course and other physical activities.

This fall, the President was fitted with hearing aids in both ears, the result, doctors and staff said, of years of exposure to loud music and raucous crowds. During the 30-minute interview, Mr. Clinton fiddled several times with the hearing aid in his right ear. (He said "it works superbly," and explained, "The rule is you have to just keep pushing it in.")

Contributing to Mr. Clinton's spreading wistfulness was the departure this fall of his daughter, Chelsea, for Stanford University. He occasionally mentions it in speeches, particularly those to small gatherings late in the evening. At a recent Democratic dinner in Philadelphia, for instance, the President admitted to "feeling rather nostalgic lately," citing his 22d wedding anniversary and the difficulties with coping with the luxuriously appointed but childless nest that the White House has become for Mrs. Clinton and him. To keep them company, the Clintons are acquiring a Labrador retriever, the White House said this week.

While none among the White House staff will dare discuss Mr. Clinton's post-White House plans, he is clearly thinking about it. He participated in the dedication of the George Bush Presidential Library in College Station, Tex., last month and remarked on its grandeur with some envy. "I don't have as much land," joked Mr. Clinton, who has started unusually early to check out sites for the Clinton library in Little Rock.

Yet more than anything else, some prominent Democrats said they were surprised by Mr. Clinton's longing for the golf course.

"It's amazing to me," said Senator Daschle. "He can pour out data about a golf course like he can about polls and voting turnouts in precincts and county elections. He regales us, with some frequency, with stories of being out on the golf course and hitting this incredible drive. With a remarkable clarity, you can picture what it was he was doing, how he was doing it, what he was wearing."

Mr. Clinton laughed off the notion of golf as a preoccupation. "It's not fair to say I'm obsessed with it," he said.

But he became unusually animated when the subject came up. "When I talk about it, it's just a way I get away from it," the President said. "If I were really serious about it, I'd have a lower handicap and a different approach. It's a lot of fun for me. It relieves the pressure of the job."

Second Term: From Big Battles to Comfort and

The Clinton Agenda: Preview of His Goals For the Coming Years

Following are excerpts from an interview with President Clinton conducted on Thursday by reporters from The New York Times, from a transcript supplied by the White House.

Education

We've won the initial battles, but we're not there on the national standards in testing; we're not finished with providing educational technology to all the schools. I still believe we should be working to try to deal with the infrastructure of our educational institutions, even though we didn't succeed on that.

I think that it is very important to identify school districts that are, on balance, not functioning well, and try to create an entirely different environment with more school choice, more charter schools, end of social promotion, adequate use of standards in testing.

Families

And I'm proud of what we did on child care and the welfare reform bill. But we need to do more there, with a broader family leave and a number of other issues.

Health Care

We're about to have this Medicare reform commission to look at what can be done to add more life to the Medicare trust fund and structure it in a way that will guarantee quality affordable health care to people who are Medicare eligible. I think, in addition to that, I think we should take on the issue of the long-term stability of the Social Security system and, as I said earlier, ways that we can provide supplemental opportunities for people to save for their own retirement, so they'll have Social Security as a threshold, but have something on top of that. I think we have to look at ways to continue to expand health care coverage.

Environment

I am convinced that we can demonstrate to the American people that we can substantially reduce our greenhouse gas emissions and fulfill our global environmental responsibilities as well as our responsibilities to our own people without giving up economic growth, but it will require a very disciplined, organized, coordinated effort to do it.

So I intend to do that. We still haven't passed the Superfund reauthorization and we still have too many toxic waste sites out there that are really causing a problem that is not only environmental but is economic to the places where they exist.



Stephen Crowley/The New York Times

Food Safety

If you imagine over the next 20 years, it is inconceivable that you won't have more and more and more volumes of food crossing national lines in trade, and we have to be able to guarantee to the American people that we have a safe food system.

Biomedical Research

I do believe that in scientific terms, the last 50 years will be seen as an age of physics and an age of space exploration. I think the next 50 years will very likely to be characterized predominantly as an age of biology and the exploration of the human organism, especially with the completion of the human genome project, which I think will literally explode what we know about how to deal with health issues.

Race and Citizen Service

My goal with that is not only to have some policy prescriptions which will help, some of which I've outlined, and to help people try to come to terms with the things that we're fighting about like affirmative action, but in a larger sense, to create an ethic of service across racial lines so that when we begin this new century and when I leave office and go off into the sunset, the typical American will have at least three opportunities for constructive engagement with people with other races — one at work, one at school and one in community service.

Foreign Policy

I hope we can get the Senate to support the Comprehensive Test Ban Treaty. We're going to have a protocol at the Biological Weapons Convention which will build on what we did with the Chemical Weapons Convention, which was ratified this year by the Congress, to help to strengthen our hand in dealing with the biological and chemical weapons fight.

I'm going to China to continue to try to work out our approach with them, which is engagement with integrity, and I think it's working well. I hope to have an impact, a positive impact on the difficulties between Greece and Turkey, and relations between India and Pakistan. I intend to go to India and Pakistan next year if all goes well. I hope to activate our Africa Trade Initiative, and I'm going to Africa.

And I feel very good that we are in better shape than we were six, eight months ago with our peace efforts in Bosnia. I'd like to see them successfully concluded. I think we've got a good chance now to see a successful peace in Northern Ireland because of what's going on there. And I'd like to see, if Russia ratifies Start II. I'd like to go back to President Yeltsin and finish the Start III process as we continue to dramatically lower the nuclear threat.

the Democratic Party who advises Mr. Clinton from time to time, said: "I think he's got a lot of problems ahead. Within and without the White House he's not long in talent around him. Everybody's going to want to take a shot at him in the next election. With two years to go, why not pile on? But he's not going to be an easy mark; this guy's smart and he's tough."

Vice President Al Gore, when asked ahead of Air Force Two's late-night flight

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A Presidency Largely Defined By the Many Parts of Its Sum

By JAMES BENNET
and ROBERT PEAR

WASHINGTON, Dec. 7 — By legislation, regulation and exhortation, President Clinton has generated a remarkable number of seemingly modest initiatives.

Though often derided as political gestures, some of the little ideas, from advocating school uniforms to insuring overnight hospital stays for new mothers, have had significant influence around the country. Taken together, Mr. Clinton's initiatives have produced coherent and substantial changes in health care, and to a lesser extent in education and social services.

His ideas are screened by pollsters and picked in part to enhance his popularity. But brick by brick, Bill Clinton is proving himself to be the incremental President, accomplishing piecemeal some of what he cannot do all at once.

Having defeated him in some head-on fights, the President's political opponents now worry that he is achieving his goals by other means.

"President Clinton is still trying to get his health care plan into law, piece by piece," said Representative Dick Armey, the Texas Republican who is House majority leader. "President Clinton would like nothing more than a triumph of incrementalism whereby he enacts his entire Health Security Act before he leaves office."

In an interview last Thursday, the President became most animated when it was suggested that many of his policy initiatives seemed small-bore. Leaning forward in his yellow armchair, he began scooping the air with his

ON THE RECORD

Second of two articles.

hands as he repeatedly stretched out the word "bi-i-ig" to describe his supposedly little notions.

"A lot of these so-called small ideas make a big difference," Mr. Clinton said. He and his aides maintain that, while many of their initiatives are ridiculed as piddling by politicians in Washington, they loom large in classrooms and at dinner tables everywhere else.

Dealt a series of legislative defeats at the end of Congress's last session, belittled as a lame duck and beset by allegations of campaign finance abuses, Bill Clinton is trying to retain the political initiative in Washington and his grip on the public's attention. To do so, he is relying on an approach he developed from hard experience in his first term.

In September 1993, President Clinton brandished a red, white and blue "health security card" before Congress and proposed to reshape one-seventh of the nation's economy. But after the crushing defeat of his health care proposal, Mr. Clinton found himself the first Democratic President since Harry S. Truman facing Republican majorities in both houses of Congress. His commitment to reducing the Federal budget deficit — which his aides are coming to view as one of his foremost accomplishments — further restricted his freedom to propose costly programs.

But Mr. Clinton remained absorbed by domestic policy and

Continued on Page A14

Increasingly, the Clinton Presidency Is

Continued From Page A1

eager to prove his political relevance by making it, his associates say. As a result, since 1995 the President has continuously experimented with the powers of his office to generate initiatives, relying more on executive orders and the bully pulpit.

"We developed a process by necessity in the wake of the '94 elections where we had to spend a lot more time focusing on executive action," said Bruce Reed, the director of Mr. Clinton's Domestic Policy Council. "And I think, you know, we have the drill down now."

Many outside the Administration mock the slender ideas, and they have become fat political targets. In a speech last Tuesday, Richard A. Gephardt of Missouri, the House minority leader, who has been positioning himself as a Democratic alternative to Vice President Al Gore in the next Presidential race, declared, "Too often, our leaders seem enamored with small ideas that nibble around the edges of big problems."

Prof. Charles O. Jones, a political scientist at the University of Wisconsin, offered a more nuanced view. He said that the "trivialization of Presidential power" under Mr. Clinton had enabled the President to define a role for himself when, by his own admission, the era of big government is over.

"Here is a guy on a lifetime search for issues, a policy-ambitious President who would like to see himself in the tradition of great Democratic Presidents," said Mr. Jones, a former president of the American Political Science Association. "But he is hemmed in politically. Clinton has found a way to be an activist President in political conditions that would suggest inactivity by the Government."

"Why should the President be interested in these common, ordinary household issues?" Mr. Jones asked. "They show his empathetic quality, his understanding of the little problems that people truly face. And they show there is still a critical role for national political leaders to play when we don't have great big thundering economic or international crises."

Mr. Clinton's approach to policy-making is proudly derivative. He and his aides say that almost every idea they propose has been developed and tested elsewhere, usually at the state and local level. The ideas are culled from newspapers, television, letters from the President's high school classmates, bills pending in Congress and memorandums submitted weekly to Mr. Clinton by Cabinet secretaries and White House officials.

His final campaign is behind them, but the President's aides still seize ideas for political purposes, to advance his chosen themes: community, opportunity and responsibility. They still commission polls to test the popularity of new ideas. But the aides argue that the ideas also make good policy, furthering his efforts to improve education and training, cut crime and protect children.

Consider a sample of the initiatives Mr. Clinton has generated: providing cellular telephones to citizen patrols, keeping liquor advertising off the airwaves, establishing a tele-

vision rating system, restricting tobacco sales, blocking importation of modified automatic weapons, suspending the driver's licenses of deadbeat dads, encouraging college students to tutor third graders, creating a national registry for sex offenders, holding a White House conference on the brain development of babies, holding another one on child care, subsidizing tuition for people who agree to teach in poor communities, putting safety locks on guns, fighting truancy. And so on.

After Mr. Clinton, in his 1996 State of the Union Message, endorsed school uniforms as a way to promote discipline, cartoonists nationwide mocked the idea as insubstantial. But since then, prodded by the Department of Education, hundreds of schools in big cities and small towns have adopted uniforms and praised them for encouraging school unity and civility.

Mr. Clinton returned to a related theme in his radio address on Saturday. In response to the fatal shootings of three teen-age girls at a Kentucky school, he ordered his Attorney General and Education Secretary to produce "an annual report card on school violence."

Mr. Clinton argues that the little things mean a lot. "For all those kids that aren't going to jail, and for all those people that are safer now, the expansion of curfews or the expansion of school uniforms is not a small thing," he said in the interview. "It is a big thing."

Birth of a Tactic

Health Care Tests Policy-by-Increment

No field of domestic policy illustrates President Clinton's revised approach better than health care. Having utterly failed in his efforts to guarantee insurance coverage for all Americans, he has made substantial progress in subsequent efforts to secure coverage step by step, for children and for many adults who switch or lose jobs.

And in the coming year, he appears likely to achieve another goal: Federal regulation of health insurance to protect the rights of patients.

"President Clinton has never changed goals, only strategies," Mr. Arney said.

The stepwise strategy has certain advantages for the President. Mark W. Isakowitz, director of Federal relations at the National Federation of Independent Business, said: "These incremental proposals can fly in under the radar on Capitol Hill. They do not present a big fat target as the Clinton health plan did."

Mr. Clinton showed no desire to return to the health care issue in 1995 and fought Republican proposals to make sweeping changes in Medicare and Medicaid, the Federal programs for 70 million people who are elderly or poor, calling them Draconian.

On Dec. 6, 1995, he vetoed the Republicans' bill to balance the Federal budget, citing "extreme cuts" in Medicare and Medicaid as the main reason.

But Mr. Clinton altered the political dynamic when, in his State of the Union Message in January 1996, he endorsed a low-key effort to make

health insurance more readily available to millions of people who change or lose their jobs. The proposal, advanced by Senator Edward M. Kennedy, Democrat of Massachusetts, and Nancy Kassebaum Baker, then a Republican Senator from Kansas, had stalled in Congress, although it was extremely modest by comparison to Mr. Clinton's scheme to redesign the entire health care system.

The endorsement illustrates one of Mr. Clinton's favorite tactics. By embracing a bill, even an obscure one, he can raise its visibility and increase its chances of becoming law.

The Kassebaum-Kennedy bill followed a tortuous path through Congress, but ultimately proved irresistible in an election year. The measure, signed in August 1996, set a significant precedent for Federal regulation of health insurance, an industry long regulated by the states.

Congress followed that precedent a few weeks later by passing a bill that requires health plans to cover at least 48 hours of hospital care after a baby is born. Mr. Clinton had used a Saturday radio address in May 1996 to endorse such legislation, condemning what he called "drive-through deliveries."

The bill became law in September 1996, over the objections of insurance companies and employers; who said it would open the door to Federal mandates for coverage of specific services. Mr. Clinton is now pushing a bill to guarantee overnight hospital stays for mastectomy patients.

The Administration's efforts to expand health insurance for children provide an even more revealing example of its incremental strategy. In February, the President offered a grab bag of proposals — Federal grants to the states and changes in Medicaid — costing \$5 billion over five years. With encouragement from the White House, Congress transformed that medium-size proposal into a big new health program for children, costing \$24 billion over five years.

As part of the budget agreement, Congress also made vast changes in Medicare, broadening coverage of preventive services and creating a supermarket of insurance options for older Americans. The Medicare changes included many of the Republican proposals from 1995, but Mr. Clinton forced the Republicans to add protections for beneficiaries.

The next step in Mr. Clinton's incremental strategy is a "bill of rights" for health care consumers, guaranteeing access to data on the quality of health plans and the right to appeal a denial of care or reimbursement. "I'm going to fight very hard for it," he said in the interview.

Mr. Clinton used a Presidential commission to forge a consensus. Bypassing Congress, he immediately ordered Federal agencies to comply with the standards, putting pressure on health plans and private employers to do the same.

The Follow-Through

For Many Initiatives, It's Show, Tell, Do

Mr. Clinton's small initiatives inevitably reach the public through photo opportunities, contributing to a

Hundreds of Secret Tobacco Industry Papers on

By BARRY MEIER

companies immunity from most to-

Defined by the Many Parts of Its Sum

A CLOSER LOOK

Footprints Left by a Lot of Baby Steps

Some of the ideas and projects pushed by President Clinton:

POLICE The President promised to put 100,000 more officers on the street under the 1994 crime law. Local police departments have received money for 63,500, of whom 30,000 to 40,000 have been hired and trained.

SCHOOL UNIFORMS Uniforms have become common at public schools in Miami, Cleveland, Chicago, Boston and New York.

AMERICA READS Almost 800 colleges have made commitments to find reading tutors for hundreds of thousands of children.

CHILD SUPPORT The 1996 welfare law requires states to have procedures to suspend driver's licenses, occupational licenses and recreational licenses of those violating child-support orders.

WELFARE Federal agencies have achieved 20 percent of the President's goal of hiring 10,000 welfare recipients by 2000. The Administration has commitments from 2,500 employers to hire and retain welfare recipients.

TV RATINGS Most networks have adopted a new, more informative ratings system that uses letters like V for violence and S for sex.

SEX OFFENDERS Mr. Clinton ordered the Federal Bureau of Investigation to develop a national registry to track sex offenders and child molesters, just three months before Congress in 1996 passed a bill requiring such a data base.

HEALTH CARE Among many proposals, the President pushed for a children's health insurance program, enacted this year, that provides money to states to buy private insurance or expand Medicaid for children.

sense that they are strictly for show. Further, Mr. Clinton has sometimes abandoned them. A \$5 billion school repair program, announced with fanfare in the 1996 campaign, vanished during budget negotiations after the election. Mr. Clinton has said he plans to revive it.

But the President's aides have regularly followed through on his small ideas to see that they are put into practice.

For example, in his re-election campaign, Mr. Clinton appeared at a women's crisis center in Sacramento, Calif., to propose that law-enforcement leaders and the telecommunications industry establish a nationwide telephone number for non-emergency calls. That, he said, would free overburdened 911 operators to handle more serious calls.

Mr. Clinton directed the Attorney General, Janet Reno, to see the proposal through, and in February, the Federal Communications Commission set aside a number — 311 — for nonemergency calls nationwide.

The Justice Department, to test the number, has been helping pay for a pilot project in Baltimore, where calls to 911 have dropped 25 percent. Dallas and San Jose, Calif., have adopted the 311 system, and other cities and states are considering it.

Questioned about the 311 number, Rahm I. Emanuel, Mr. Clinton's senior adviser, began reeling off the names of cities that were considering using it. Asked why he was up to date on the subject, Mr. Emanuel said that a weekly memorandum to the President summarizing agencies' programs had recently described the system. Mr. Clinton, Mr. Emanuel said, had written on it, "Where is the F.C.C. on expanding this to other communities?"

Mr. Clinton often melds politics and policy by appearing with children to announce new initiatives. In August 1996, the President's cam-

paign train stopped in Wyandotte, Mich., where he read "The Little Engine that Could" with two tow-headed children. He also announced that he would seek \$2.75 billion from Congress over five years to teach third graders to read.

Mr. Clinton's aides immediately tried to give the program heft. Education Secretary Richard W. Riley waived a requirement that colleges pay a quarter of a student's work-study wages, provided the student agreed to tutor elementary school students. Other White House officials began calling on college presidents to line up commitments to the program.

On Oct. 21, Mr. Clinton appeared in the White House East Room to read "The Carrot Seed" with a child — and to announce that 790 colleges had pledged tutors to America Reads.

"It's a broader way of thinking about the Presidency," said Gene Sperling, the director of the National Economic Council, "not just what you can do legislatively, but the full panoply of what you can do with the office."

During budget negotiations over the summer, Mr. Clinton secured about 70 percent of the money he wanted for the program's first year.

Similar follow-through, on a larger scale, has characterized Mr. Clinton's approach to changing the welfare system. Over the fierce objections of most of his Cabinet, Mr. Clinton in 1996 signed a Republican bill radically reducing the Federal role in providing welfare. Since then he has taken several steps to soften its effects.

This year, Mr. Clinton ordered Federal agencies to set an example for private employers by hiring welfare recipients. At a more substantive level, he persuaded Congress to reinstate benefits for some legal immigrants. Congress also agreed to provide money for work programs

and to establish a new tax credit for employers hiring welfare recipients. All told, the changes restored more than a quarter of the cuts in welfare spending made by the 1996 law.

Ideas for Tomorrow

A Dry Well? Never, Clinton Insists

In the 1996 campaign, Dick Morris, Mr. Clinton's political strategist, grilled Cabinet members and other officials for ideas, consulted outside experts and scoured the news — and then slashed through layers of bureaucracy to take suggestions directly to the President.

Now, Mr. Morris, who resigned in a sex scandal a year ago, said Mr. Clinton seems to have run out of ideas. "As far as the bite-size ideas," he said, "that pipeline's dry and there's no one to generate them, and on the major ideas, he just doesn't have them anymore."

The President says he has no such problem. "We all read everything that's in print all the time, trying to come up with new ideas," Mr. Clinton said. He said that "probably three times a week I read a story in the paper or I see an article in a magazine or something" that prompts him to tell Mr. Emanuel, "We need to have somebody start working on this idea."

President Clinton likes to develop national policy from local success stories. Last Wednesday, at a town meeting on race in Akron, Ohio, Mr. Clinton announced that he would seek money from Congress to create 15 to 25 "educational opportunity zones" in poor urban and rural areas. Through such zones, the Federal Government would assist school districts that agree to make radical changes, like allowing students to choose among schools and making it easier to get rid of bad teachers.

The initiative was prompted by some press clippings about Chicago's success in changing its schools. Mr. Clinton forwarded the clippings to Mr. Reed, the director of the Domestic Policy Council, who began looking for ways to encourage other cities to adopt the same practices.

With his proposal to create a national dialogue on race under fire as insubstantial, Mr. Clinton made the idea an immediate priority for his aides planning next year's budget.

"The President wanted to show that he had a serious school improvement proposal as part of the race initiative," Mr. Reed said.

Mr. Clinton's aides are preparing a series of other small initiatives, together with some larger proposals, for the President's State of the Union Message early next year. Mr. Clinton dropped some hints about those ideas, including one to help provide health insurance to people 55 to 64 years old.

"I got a letter just the other day from a woman who was in my high school class," he said. "Her husband got sick and took early retirement. He's got a pretty decent retirement but they can't afford health insurance."

"And this is a bigger and bigger problem for Americans."

Marketing Cigarettes to Minors Are Released

Involving lawyers from other tobacco companies, reflecting industry activities aimed at minors, and made public recently as part of



सत्यमेव जयते

नरेश चन्द्र

NARESH CHANDRA

STAFF
SEC 9

DEC 15 1997

भारत का राजदूत

वाशिंगटन, डी० सी०

AMBASSADOR OF INDIA

2107 MASSACHUSETTS AVE. N.W.

WASHINGTON, D.C. 20008

December 11, 1997

Dear Mr Bowles,

'97 DEC 16 AM 9:57

I have the honour to enclose the fax copy of a letter from the Prime Minister of India to H.E. Mr. Bill Clinton. As soon as the original letter is received, we shall forward it for the record.

Best wishes,

Yours sincerely,

N Chandra

(Naresh Chandra)

Mr. Erskine Bowles,
Chief of Staff to the President
1st Fl., West Wing,
Executive Office of the President,
1600 Pennsylvania Av N.W.
Washington DC 20500

Todd/Phil
OK to log in?

yes

NO

to NSC
for reply

WHITE HOUSE GIFT REGISTER

12-16-97

GIFT INTENDED FOR

President ☒

First Lady ☐

Both/All ☐

Chelsea ☐

TO BURKHARDT
FOR REPLY

-ALSO NEED
POTUS PHOTO
SOCKS PHOTO

DONOR INFORMATION

Name:

Hunter S. Fulghum

Address:

15703 122 Ave NE

Bothell, Wa 98011

Phone:

PRESENTATION

Date:

12/15/97

Event:

Handed to President ☐

Other Method ☐

Gift Description:

Book Like Father Like Son
enfr. Robert Fulghum

Send Gift and Register to OEOB, Room 457 x7133

14 November, 1997

William J. Clinton
President of the United States
The White House
Washington, DC

Dear Mr. President,

I am imposing upon my friend Dan to hand deliver my book to you when he visits the White House. I know you are a busy man, so I don't know if you'll have time or interest in reading the entire book.

But there is one story that involves you, Dan, my daughter Sarah, and the 1992 election that I have marked with a post-it note. The story is called "Sarah and Bill", and beyond telling you that, I'll leave it to you to read for yourself.

Other than that, I'd like to pass on my support for the efforts of your administration. I admire the tenacity and intelligence that you have brought to the office of President.

If you get the time, I hope you'll enjoy the story.

Sincerely,



Hunter S. Fulghum
15703 112 Avenue NE
Bothell, WA 98011

Potus wants letter to
go to Author's daughter -
Sarah - w/autographed
photo of Potus + one
of socks

HUNTER S. FULGHUM
LIKE FATHER
LIKE SON



Introduction by
ROBERT FULGHUM

cc
Parman
Duffy

Rabbi Kenneth Brander sends his idea for dealing with racial divisiveness -- suggestion that one day be designated as a National Day of Tolerance, and ways to encourage dialogue and empower individuals throughout America to reflect on becoming agents of change in their communities. He was honored to be at meeting of religious leaders.

Through
Duffy
Sec.

הרב כתרילאל ישעיה ברנדר

RABBI KENNETH BRANDER

BOCA RATON SYNAGOGUE

7900 Montoya Circle

Boca Raton, FL 33433

(561) 394-5732

cc: Sophia
Muller

To Dan Berkhaft

for reply

coord with

Winston Mathews

PhM

November 25, 1997

25 Cheshvan 5758

President William Jefferson Clinton

The White House

1600 Pennsylvania Ave.

Washington, D.C. 20500

Dear Mr. President,

It was indeed an honor to be present at the meeting of religious leaders of the American Community. Your presence at the meeting and your comments to the group were heartfelt, thought-provoking and inspirational.

Mr. President, as you will recall, prior to your departure, I discussed with you an idea which might be useful for dealing with the racial divisiveness in our country. You suggested that I present my idea to you in a brief memo. This is my proposal.

One day, perhaps a Sunday, could be designated as a National Day of Tolerance. In the afternoon, meetings could be held at churches, synagogues, and civic centers across the country. Small focus groups could be organized at every location, facilitated by clergy, teachers and concerned lay citizens. Readings with selections from great statesmen, such as Abraham Lincoln, Dr. Martin Luther King, John Kennedy and others could be compiled to be studied and discussed at each location. Questions and suggestions elicited during the dialogues could be e-mailed or faxed to you at The White House. This would enable you, Mr. President and/or the Vice-president to incorporate the thoughts and opinions of the citizens in a closing address to the American people.

Such a program would empower individuals throughout America to reflect on how they might be agents of change in their communities. Mr. President, this would give you the opportunity to address the nation, and to teach the nation as you did so eloquently with the religious leaders last Thursday.

Shalom, with best wishes for a happy Thanksgiving for you and your family.

Sincerely yours,



Rabbi Kenneth Brander

Senior Rabbi, Boca Raton Synagogue

William Jefferson Clinton
House
sylvania Avenue
n, DC 20500

THE WHITE HOUSE
WASHINGTON

namely -

The President apparently
asked this gentleman to
send him a note.

-Debi Mdrile
x 65157

DICK J. BATCHELOR

December 10, 1997

Do Ty

THE PRESIDENT HAS SEEN
12-15-97

Dear Mr. President,

The last time I saw you and the First Lady you both told me to
"keep writing the editorials." In that light, I thought
you would like to see 12-15-97 editorial column which I wrote
(for THE OPLANDS EDITORIAL appearing in today's edition).

To Burkhardt
for Reply?

— yes

— no

itude for the honor of again
administration at such a prestigious

nds to the First Lady ... Andrea
ton, and Chelsea a wonderful

DS.

DICK J. BATCHELOR

December 10, 1997

Doty

THE PRESIDENT HAS SEEN
12-15-97

Dear Mr. President,

The last time I saw you and the First Lady you both told me to "keep writing the articles and editorials." In that light, I thought you would like to see the attached editorial column which I wrote for THE ORLANDO SENTINEL (appearing in today's edition).

Let me express my deepest gratitude for the honor of again representing our country and your Administration at such a prestigious conference.

Please give my very best regards to the First Lady ... Andrea and I certainly wish you, Mrs. Clinton, and Chelsea a wonderful Christmas.

Warm personal regards,

(10)

The Orlando Sentinel

"The Best Newspaper in Florida"

WEDNESDAY, December 10, 1997

UNESCO: A renewed quest for freedom

By Dick Batchelor

SPECIAL TO THE SENTINEL

Americans are heirs to a political order that has inspired the world. Indeed, the history of civilization's advance is the story of the expression of individual freedom, and from it has flowed technological innovations, material prosperity and artistic and intellectual achievements.

More than 50 years ago, after World War II, a great number of countries established an international organization to serve as an intellectual forum to promote issues dealing with education, science and culture. When the United Nations Educational, Scientific and Cultural organization (UNESCO) was formed with strong support by the United States and its allies, the charter specifically envisioned that UNESCO would be "the intellectual body of the United Nations system."

The United Nations and, specifically, the Security Council have served as a process for resolution of international conflicts and an apparatus to advance peace. UNESCO, however, was a forum for a free-flowing exchange of ideas to stoke the fires of freedom and human rights. From such a hopeful beginning, this organization eventually became bloated, bureaucratic and mismanaged. Worse, UNESCO was often abused by some authoritarian countries that used it as a platform for strident political attacks on the West; instead of encouraging human rights, these countries thwarted them.

In response, the United States withdrew its delegate membership from UNESCO in 1984. Fortunately, under the leadership of Director-General Federico Mayor, a former Cabinet member of Spain, UNESCO has made quantum improvements in its operations. This was reflected in a General Accounting Office report to the U.S. Congress. More important, the membership of UNESCO no longer allows country-state representatives to hijack the process for their own narrow political ends. In response, the United States now sends two observer delegates to meet with UNESCO representatives from 184 countries.

I was recently honored by President Clinton with an appointment as an observer delegate to the 29th UNESCO General Conference in Paris. It quickly became obvious to me that, by virtue of our country's standing in the international community, even though only with observer delegate status, our UNESCO mission was able to influence the major issues of political importance to the United States.

We addressed issues such as the systematic use of rape as a form of torture in Bosnia and how to provide some refuge to the victims. The development of non-traditional educational programs to reach women and girls, including street children throughout

the world, was a very high priority, as well as the very important position taken by the United States on bio-ethics and the human genome. As U.S. representatives, we advocated an independent and pluralistic free press, and supported environmental projects to offer fresh-water supplies and environmental cleanups to countries that are substantially affected. Most important, the United States continued to exert appropriate influence in the UNESCO process — and an agenda for freedom.



Batchelor

As President Clinton said, "UNESCO plays a unique and important role in the world, particularly its contributions to the free flow of ideas across boundaries and to international human rights which are integral to the success of global democratization." As a delegate, I was able to experience firsthand the importance of our country's participation in setting international goals in these policy areas. I wholeheartedly agree with the president that the United States should rejoin UNESCO — as did Great Britain this year.

During the UNESCO session, the president was hosting President Jiang Zemin of the Peoples Republic of China. Zemin was able to bear witness to the unparalleled freedoms of expression enjoyed by those in our country as opposed to his and others. I was very proud when President Clinton made such a strong point in referring to the Tiananmen Square massacre, saying that China is "on the wrong side of history." During essentially the same period of time, Iraq expelled American weapons inspectors; the fifth journalist this year was assassinated in Colombia; the rebel group in Angola balked at U.S. sanctions; the Clinton administration had to take stronger action against the Sudan; and the Israeli-Arab conflict continued to fester. Fortunately, a number of these conflicts and attempts to resolve them were mostly reserved for the United Nations, the appropriate body for such resolution.

However, at the same time, within UNESCO, representatives from 185 countries were able to sit down and debate (sometimes rather vitriolically) matters of priority affecting our planet, ultimately hammering out agreements.

As Director-General Mayor said, "The reality of today's world is marked more clearly than ever by the global nature of the problems we face. It calls for global action coordinated by international bodies like UNESCO."

Based on my experience as an observer delegate, I believe that UNESCO is the one forum in which the United States can help move nations toward freedoms that define democratization — influencing more nations to be "on the right side of history."

Dick Batchelor is president of Dick Batchelor Management Group Inc.

UNESCO is the one forum in which the United States can help move nations toward freedoms that define democratization.



December 4, 1997

COPY

President William Jefferson Clinton
The White House
Washington, D.C. 20500

Dear Mr. President:

I would like to express my gratitude to you for honoring me with an appointment as an observer delegate to the 29th General Conference of the United Nations Educational, Scientific and Cultural Organization (UNESCO). Having the pleasure of working with your staff on several occasions and varied issues, I've always expressed a strong interest in being involved in public policy matters related to human rights (particularly as it affects women and children, freedom of the press and democratization). Fortunately, Bob Nash and Patsy Thomasson recommended a most appropriate forum at which these important policy matters are debated, giving the United States valued input and influence on priorities which are part and parcel of your Administration's agenda.

Whether the issue was environmental policy, education (particularly related to women and children), human rights, an unfettered free press, the human genome, or programs dealing with rape victims in Bosnia, I was extremely proud that the United States enjoyed such a presence and by virtue of its credibility, influenced the final draft documents.

Mr. President, on behalf of the other observer delegate, Mrs. Pat Edington (with staff participation), I can report that we had a great deal of input on the UNESCO activities to further the causes that are important to U.S. priorities, including:

- Educating for Multi-Ethnic Tolerance, Pre-conflict Peace Building Initiatives
- Creating specialized global science and education infrastructures, i.e., Inter-governmental Oceanographic Commission and the Man in the Biosphere program.
- Building a free, independent and pluralistic press.
- Promoting the education of girls and women.

Also, it is obvious that the continued participation by the U.S. in other UNESCO bodies, such as the World Heritage Center (WHC) are in our country's best interest.

Continued ...

President William Jefferson Clinton
December 4, 1997
Page Two

Even though the two American delegates only enjoyed observer status (as has been the case since 1984), it still allowed important opportunities, particularly with the very capable State Department staff as well as Ambassador Rohatyn and Embassy staff, to communicate the U.S. position on some of the more critical issues. I must individually commend Mr. Raymond E. Wanner (International Organization Affairs, Department of State) and Mr. William W. McIlhenny (Chief of U.S. Observer Mission to UNESCO, Paris).

Mr. President, in correspondence to Director-General Mayor, you have pointed out that "UNESCO plays a unique and important role in the world, particularly its contributions to the free flow of ideas across boundaries and to international human rights which are integral to the success of global democratization." As delegates, we were able to witness your words in action.

One hundred eighty five countries were able to sit down and debate (sometimes rather vitriolically), on priority matters affecting our planet, but ultimately hammer out agreements. UNESCO is a forum that has, for over 50 years, allowed a safe haven for the free exchange of issues and ideas that are important to the United States.

As Director-General Federico Mayor said, "The reality of today's world is marked more clearly than ever by the global nature of the problems we face. It calls for global action coordinated by international bodies like UNESCO." Based on my experience as an observer delegate, I believe that is true. Again, Mr. President, let me express my deepest appreciation for bestowing such an honor to proudly represent the United States in this important body. I am hopeful that I'll have other opportunities to serve your Administration and our country.

Sincerely,

Dick J. Batchelor

DJB/mei

cc: Erskine Bowles
Ambassador Princeton Lyman
Ambassador Felix Rohatyn

Marsha Scott
Bob Nash
Patsy Thomasson
Patricia Edington

P.S. Since my return, I've completed two commentaries on UNESCO (WFTV, local ABC affiliate) and am completing a guest column for *The Orlando Sentinel*, which I'll provide to the appropriate staff.

THE PRESIDENT HAS SEEN
12-16-97

THE WHITE HOUSE
WASHINGTON

'97 DEC 15 PM3

December 15, 1997

MEMORANDUM TO THE PRESIDENT
FROM RAHM EMANUEL
SIDNEY BLUMENTHAL
MICHAEL WALDMAN
PAUL BEGALA
SUBJECT INTELLECTUALS DINNER

copied
Emanuel
Blumenthal
Waldman
Begala
Verveer
COS

In preparation for the State of the Union, we have attached a suggested list of wide-ranging intellectuals for a small dinner to be held at the White House on January 7th. The dinner is intended to provide you the opportunity to hear a broad range of views that relate to the larger issues to be addressed in the State of the Union speech on January 27th.

The suggested size of the dinner is 10 to 12 guests. Based on the suggested list, please check or circle the individuals you would like to invite.

cc The First Lady
Erskine Bowles
Melanne Verveer
Capricia Marshall

Hank & Bessie
been very critical of the
Pres. Patten about
hasn't followed up
on her proposal
PS

Suggested List for the January 7th Intellectuals Dinner
(In no particular order)

Daniel Yergin

Pulitzer Prize winning author and historian; heads an international consulting business on the energy industry; has just finished a book on the new economy.

Richard Rorty

One of the leading living American philosophers, a proponent of pragmatism; at the University of Virginia; has just completed a book on why the American left should abandon its abstractions and become practical.

Michael Sandel

The leading communitarian political philosopher; Harvard University; most recently author of *Democracy's Discontent*, on the past and future of progressivism; has begun writing a book on markets and democracy; writes frequently for The Atlantic and writes a column for The New Republic.

Ethan Kapstein

Expert on workers and the international economy; believes in a new social compact and free trade; former director of studies at the Council of Foreign Relations; professor at the University of Minnesota.

Samuel Beer

Grand old man of political philosophy; Harvard emeritus; leading proponent of the national idea; author, most recently, of *To Make a Nation: The Rediscovery of American Federalism*; expert in trans-Atlantic political links (has even written about the world after Blair).

Cass Sunstein

University of Chicago legal scholar; author of a new book, *Free Markets and Democracy*, arguing for a new social compact; writes frequently for The Atlantic, The New Republic, The New York Times.

Paul Romer

Leading economist of the new economy; University of California at Berkeley, son of Roy Romer.

John Morton Blum

Distinguished presidential historian; Yale University.

Benjamin Barber

Leading thinker on globalization and political culture; author of *McWorld and Jihad*; Rutgers University.

James Chace

Distinguished historian; just completed the definitive biography of Dean Acheson; editor of World Policy Journal; devoting efforts to conceptualizing a new internationalist American model.

Stephen Holmes

University of Chicago political philosopher; author of many works, including *The Anatomy of Antiliberalism*, a critic of both conservatism and communitarianism.

Paula Rayman

Director of the Radcliffe Public Policy Institute, probably the leading center for women scholars in the nation.

Alan Brinkley

Columbia University history professor, widely quoted scholar of liberalism. Author of *The End of Reform: New Deal Liberalism in Recession and War* and *The New Federalist Papers*.

Sherry Turkle

MIT professor, leading authority on the Internet and computers and how they affect human relations. Books include *The Second Self*.

Or

Esther Dyson

Very influential newsletter editor and author on the Internet. Her current book is *Release 2.0*.

Dani Rodrik

Harvard economist, author of *Has Globalization Gone Too Far?*, a book recommended by Larry Summers which the President has read and enjoyed.

William Ferris

Newly appointed chair of the National Endowment for the Humanities.

Orlando Patterson

West-Indian-born Harvard Professor, author of *The Ordeal of Integration*, a contrarian and very well-reviewed new book that defends affirmative action but which argues that America is far too obsessed with race and diversity.

Bill Galston and Diane Blair have been involved in the previous dinners (Galston organized them each year, and Diane did a political scientists' dinner). You may want to call her, at least, to get ideas.

Michael Lind

Formerly with the National Review, has become disenchanted with conservatism. Author of *The Next American Nation* and a new book on Hamilton, he is a Hamiltonian (nationalist) who favors a strong central government. An idiosyncratic thinker, but an interesting one.

Judith Rodin

President of the University of Pennsylvania. First female President of an Ivy League school.

Walter Dean Burnham

University of Texas political scientist who first popularized the notion of "Realignment." He recently described the Clinton Presidency as a "finger in the dike" Presidency, passively holding off the disastrous initiatives of the GOP. But a little time and attention could turn him around-he is very influential with a variety of elite pundits.

William Julius Wilson

Harvard sociologist and expert on urban sociology.

THE WHITE HOUSE
WASHINGTON

DATE: 12-15-97

NOTE FOR: **VERNON JORDAN**
BRUCE LINDSEY

The President has reviewed the attached, and it is forwarded to you for your:

Information ☒

Action ☐

Thank you.

Staff Secretary
(x6-2702)

cc:

THE WASHINGTON POST

Norman Ornstein

This Law Is a Turkey

No principle animated the Framers of the Constitution more than minimizing the inherent dangers of unchecked power. The separation of legislative, executive and judicial powers, the elaborate system of checks and balances, all flow from that principle. The lengthy discussions in the Federalist Papers of human nature and ambition also show a clear and ever-present recognition that it does not require inherent evil in human beings to suffer the consequences that flow from the corruption of absolute power.

The Framers must be rolling in their graves over the Independent Counsel Statute and its application. If the news has been dominated by the controversy over Janet Reno, Louis Freeh and campaign financing, there have been other stories in recent days underscoring the intrinsic problem with the independent counsel itself. David Barrett, the IC appointed nearly three years ago to investigate the narrow question of whether to prosecute misstatements made by Cabinet nominee Henry Cisneros about payments to a former mistress, has now issued an 18-count indictment against Cisneros and implicated several others. This is after spending \$4 million and crashing ahead to expand his probe into dozens of ancillary areas, trying to target the White House itself. IC Donald Smaltz, who turned the question of favor-trading by Agriculture Secretary Mike Espy into a never-ending probe of wrongdoing by virtually all of Arkansas, has tried repeatedly to expand his authority almost infinitely. When the Justice Department moved to keep his investigation within its original bounds, he tried to investigate the Justice Department, then complained to Congress about the department's obstruction of his efforts.

At the same time, a bevy of other independent counsel investigations continue, including—I kid you not—one that goes back to the Reagan administration's Department of Housing and Urban Development.

Let's face it—this act is a turkey. The three-judge panel that appoints the independent counsel after the attorney general has required one has itself become politicized. The judges, led by David Sentelle, do not seek out individuals whose political views leave them with no incentive to harm the targets of their investigations, or individuals with no apparent political or legal ambitions that could be advanced by exploitation of the independent counsel status. The counsels themselves are granted unlimited budgets, unlimited time frames and virtually open invitations to expand their investigations wherever their egos or ambitions take them.

Tinkering with the statute won't do it. The larger problem of human nature remains. Being named an independent counsel is a huge plum for a lawyer—it conveys status and authority. It is a clear springboard to advancement in the law or politics. The pool of likely appointees is dominated by combative proac-

utors or litigators—it is almost inevitable that the ICs will see their roles not as counsels, but as prosecutors, and turn into avenging angels. For an IC to go through two or three years of effort and end up declaring that there is no there there is to appear a failure and to waste an opportunity. Nailing the big one—at least a Cabinet member, maybe even a president—becomes an irresistible lure.

To be sure, not every one of the 18 independent counsels that has been appointed careened out of control—we even had one, Joseph DiGenova, who cleared his targets of wrongdoing and apologized to them. But the process is set up to allow ambition, partisanship and competitiveness to flourish. A restrained and fair IC is the exception, not the rule.

When the Republican Congress held hearings this fall on abuses by the IRS, they hammered away at the disasters that flowed from the exercise of unchecked power by tax agents. The same conservatives articulated this principle when they protested the Independent Counsel Act during the Reagan-Bush years. Sen. Orrin Hatch said in 1992, "We're going to wreck this country if we keep allowing these politically oriented and politically motivated young prosecutors to run amok without anybody having any control over them."

Democrats who pooh-poohed these warnings then are singing a different tune now. But eadly, instead of using the opportunity to kill

THE PRESIDENT HAS SEEN
12-15-97

this bad law, Republicans have themselves turned to situational ethics, defending the statute and calling at every turn for yet more young prosecutors to run amok.

The fact is that the pre-1978 process, before we had the (formal independent counsel, worked well. The attorney general then, as now, had the capability unilaterally to appoint special prosecutors from outside the department to minimize conflicts of interest. Archibald Cox was one such appointment during the Watergate era. He was fired, creating a firestorm of reaction that itself was fatally damaging to the Nixon administration—but more important, he was replaced by another special prosecutor who credibly carried out the investigation. The political process worked then. It can work now, while providing some check and balance to the investigative powers the counsels possess.

Democrats turned a blind eye to the flagrant abuses of power that went on under independent counsels in the Reagan-Bush years. Republicans are turning the tables on the Democrats now, while turning their backs on the most fundamental principle of limited government. How about instead if both parties turn their attention to killing this bad law once and for all?

The writer is a resident scholar at the American Enterprise Institute.

Cc: B Lindsey
✓ Jordan

Jim Hoagland

France's Latest 'Gulliverization'

PARIS—Shorn of most of their power by an electoral miscalculation of historic proportion, President Jacques Chirac and his neo-Gaullist team still run the Elysee Palace but not France. They hold office but not power, which in France tenaciously resists division.

Americans long ago got the hang of dividing government's checks and balances between political parties. But the French, six months into a third attempt at "cohabitation" between the Gaullists and

Middle East and Asia reflect deep pools of genuine sentimentality and compassion that motivate Chirac. When we met last week in Paris, he had just returned from a tiring trip to the Ivory Coast. There he had given a moving speech appealing for help for Africa's AIDS victims, "who are now two out of every three persons on the globe" known or believed to be HIV-positive.

AIDS victims in rich countries have some chance to be treated, while poor countries have no

"to argue that a country can buy a right to pollute. That is not acceptable."

His comments foreshadowed a successful effort at Kyoto by European and Third World countries to get the United States to alter its proposal for mandatory emission limits for developing countries and a controversial carbon emission trading system.

Responding to questions, the French president dwelled on the humanitarian horrors and the

157-0011-0015

THE WHITE HOUSE
WASHINGTON

October 1, 1997

12/16/97

copied to
Sperling
Tarullo
McGinty
Stern
Bowles

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
DANIEL TARULLO
KATHLEEN MCGINTY

SUBJECT: Climate change

As promised in our climate change workplan, this memorandum provides more detail on some of the issues that were raised during our meeting on September 18. We have held three principals meeting in the past week, and plan to hold one Friday, to pin down specific recommendations from the NEC/CEQ principals. We will then put together an NEC/CEQ recommendations memorandum and a briefing book that contains the underlying memoranda from the principals and other background materials. The recommendations memo and briefing book will be submitted to you by the end of this week, to inform your thinking before the October 6 White House conference.

Specifically, this memorandum:

- Outlines the sources of current emissions in the United States;
- Discusses several aspects of a tradeable permits system, including:
 - The benefits of a permit trading system relative to traditional regulation;
 - The lessons offered by the SO₂ trading program; and
 - Direct allocation versus auctioning with revenue recycling; and
- Explores some of the costs and benefits of a slower approach.

I. SOURCES OF EMISSIONS IN THE UNITED STATES

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Carbon dioxide (CO₂) accounts for more than 85 percent of U.S. greenhouse gas emissions. Roughly one-third of CO₂ emissions are from transportation, one-third from buildings and one-third from industry.¹ U.S. CO₂ emissions are now approximately 10 percent above 1990 levels, and are projected to be 28 percent over 1990 levels by 2010 absent policy interventions. Other greenhouse gases include methane (from landfills and livestock), nitrous oxide, and some engineered chemicals such as CFCs and HFCs.

In addition to the discussion below, the appendix -- prepared by OSTP -- presents more detailed data and figures on the sources of emissions. (Some of the potential emissions reductions mentioned in the appendix are not accepted by all agencies.)

TRANSPORTATION

Transportation contributes 31 percent of U.S. CO₂ emissions. Its emissions are growing by about 2 percent (10 million tons) per year -- roughly twice as fast as industry and buildings -- because of increases in vehicle miles traveled and the increasing popularity of fuel-inefficient sport utility vehicles, minivans and pick-up trucks (which together now account for almost half of all new passenger vehicle sales).

Transportation: Sources of CO₂ emissions

Source	Emissions in millions of tons	As % of transportation emissions
Automobiles	152	34.9%
Light trucks	101	23.2%
Heavy trucks	67	15.4%
Aircraft	57	13.1%
Other ?	59	13.4%
TOTAL	437	100.0%

¹ In this accounting, the CO₂ produced to generate electricity is charged to the sector using the electricity. Taken together, emissions from all electricity production amount to 36 percent of CO₂ emissions.

BUILDINGS

Residential buildings produce 19 percent of U.S. CO₂ emissions, and commercial buildings account for another 15 percent -- implying that buildings account for over a third of total emissions. Emissions from both residential and commercial buildings are growing by 1 percent annually (2.6 and 2.1 million tons respectively). Energy demand in residential buildings is greatest for heating, electrical appliances, and air conditioning. In commercial buildings, demand is greatest for lighting, electric equipment, and air conditioning.

Buildings: Sources of CO₂ emissions

Source	Emissions in millions of tons	As % of building emissions
Space heat	211	43.0%
Appliances	98	20.0%
Cooling	69	14.0%
Lights	69	14.0%
Water heat	44	9.0%
TOTAL	490	100.0%

INDUSTRY

Industries produce about a third of all CO₂ emissions. Emissions from this source are expected to grow at 0.8 percent per year (4 million tons). About 80 percent of all industrial CO₂ emissions come from petroleum refining, chemicals, paper, lumber, and metals.

Industry: Sources of CO₂ emissions

Source	Emissions in millions of tons	% of industry emissions
Machine drive/electrolytic	149	32.0%
Steam	126	27.0%
Process heat	89	19.0%
Off-road equipment	33	7.0%
Heat/air conditioning/light	28	6.0%
Feedstocks/other	42	9.0%
TOTAL	466	100.0%

ELECTRICITY GENERATION

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As noted, the CO₂ produced to generate electricity is charged to the sector using the electricity in the accounting above. Emissions from all electricity production amount to 36 percent of CO₂ emissions.

The table below shows that coal accounts for 50 percent of electricity generated in the U.S., but 77 percent of CO₂ emissions from electricity generation. Coal produces 72 percent more greenhouse gases than natural gas per unit of energy delivered -- which is why a carbon emissions reduction program would have a much larger impact on coal prices than on natural gas or other energy prices.

On average, the electric energy produced by an electric generator is only about a third of the energy input -- the other two-thirds is released as waste into the air or nearby waters. As more generation occurs closer to industrial and commercial sites, it should be easier to capture more of the heat from electric generation that would otherwise be wasted.

Electricity

Source	Share of electricity CO ₂ emissions	Share of electricity generation
Oil	1.9%	1.5%
Natural gas	20.7%	23.0%
Coal	77.4%	50.1%
Nuclear	--	15.8%
Hydro & renewables	--	9.6%
TOTAL	100.0%	100.0%

II. Tradeable Permits

During our meeting with you last week, we discussed a tradeable permits system for reducing carbon emissions. This section examines several questions related to tradeable permits.

Tradeable Permits Versus Mandated Standards

A natural question about tradeable permits is why they reduce the costs associated with meeting a given emissions reduction objective. Wouldn't it be easier and more straightforward to mandate standards on items such as automobile fuel efficiency?

Mandated standards are more costly than market-based systems to reduce pollution for two reasons: First, standards usually only affect the market for new equipment; they do not

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increase the incentive for owners of existing equipment to scrap their old, inefficient capital more rapidly. Second, standards do not affect the incentive to conserve energy once the new equipment is purchased. For products where additional usage is discretionary (such as cars, but unlike refrigerators), this can be significant. A standard for automobile efficiency does not increase incentives to cut out wasteful driving. A tradeable permits system, on the other hand, focuses directly on the activity in question, allowing reductions to take place wherever they are cheapest and imposing no arbitrary constraint on incentives for further improvement. And in most cases, a tradeable permits system is less administratively costly.

An illustrative example

An example may be helpful. Assume that there are two types of coal-fired plants, both of which emit 100,000 tons of carbon per year. The first type can easily switch to less carbon-intensive fuels (such as natural gas), and thereby reduce carbon emissions even for a given level of energy output (since natural gas has less carbon per BTU than coal). To be more specific, this first type of power plant can achieve carbon emissions reductions at a cost of \$25 for every carbon ton reduction. The second type, however, was designed in a manner that makes it extremely difficult to switch fuel to reduce emissions: it can achieve emissions reductions only at a cost of \$150 per ton.

The average cost of mandating that carbon emissions at all plants fall by 30 percent is therefore \$2.6 million per plant (\$0.75 million at the first type, and \$4.5 million at the second). Under a permit system, however, the total cost would be dramatically reduced by allowing the second type of plant to buy permits from the first type. This way, a 30 percent reduction in total emissions would cost only \$1.5 million per plant (all of the 60,000 ton reduction would occur at the first type of plant, at a cost of \$25 per ton). In this example, the permit system produces a cost saving of over 70 percent to achieve the same environmental goal. This level of cost saving is not unrealistic: studies by environmental economists often find that market-based systems reduce the cost of environmental regulations by as much as 90 percent.

CAFE standards

You mentioned the specific case of fuel efficiency standards. The CAFE standard for automobiles was introduced in 1978 at a level of 18 mpg, and tightened until it reached 27.5 mpg in 1985. Fuel efficiency rose significantly during the same period, with average miles per gallon increasing by roughly 50 percent between 1975 and 1985. But it is difficult to separate the combined impacts of the CAFE standards and higher fuel prices: The two oil shocks in the 1970's clearly increased consumer demand for more efficient vehicles.

Since 1985, fuel efficiency has remained stagnant and CAFE standards have remained unchanged. Since real gasoline prices have fallen steadily in the 1980's and 1990's, fuel economy would likely have fallen -- rather than remained stagnant -- over this period if not for the CAFE standards. Technology relevant to fuel economy has continued to improve at a rate that would

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allow fuel efficiency to climb about 2 percent per year, but auto makers are using this improved technology to add features such as increased vehicle horsepower and size, not fuel economy. Indeed, the past decade has seen a dramatic rise in sales of fuel-inefficient light trucks -- first minivans and pick-ups, then sport utility vehicles -- which now account for nearly half of all passenger vehicle sales and are subject to much lower CAFE standards (21.5 mpg) than cars.

Proponents of fuel efficiency standards argue that increases in CAFE standards could re-route this trend of technical improvement to greater mileage. Some have proposed modifications to CAFE to make it more flexible and cost-efficient, such as allowing trading between companies, or (as part of a broader emissions trading program) with other sectors. Fuel-efficiency standards could also be used to promote commercial introduction of PNGV vehicles with double or triple current fuel economy. (At present, our PNGV partners have pledged only to develop prototypes, but have not committed to sell them.)

Raising CAFE standards, however, can entail substantial -- albeit hidden -- costs. First, consumers prefer to use technology for improved features rather than fuel efficiency -- and forcing them to reverse this preference would be both unpopular and costly. For example, several studies have estimated the cost of reducing carbon emissions with CAFE standards. One estimated the implied cost of carbon reductions from increasing the CAFE standard to 37.5 miles per gallon at \$106 per ton of carbon reduced; another estimated that raising CAFE standards to 40 miles per gallon would be equivalent to a carbon price of \$104 per ton. Second, to the extent that higher CAFE standards raise the cost of new cars, they tend to discourage new purchases -- thus limiting the overall efficiency benefit by keeping older cars on the road longer than they would have otherwise remained. Finally, increasing CAFE standards would be politically difficult. Auto-makers will resist efforts to increase standards, especially for sport-utility vehicles -- where the Big 3 make much of their profits (up to \$10,000 per vehicle).

Since CAFE standards apply only to new cars and vehicles, an increase takes a decade or more to work its way fully through the vehicle fleet. This means that if a significant effect is to be felt by 2010, any CAFE increases would need to begin early.

The SO₂ Example: How Much Can We Learn From It?

The Clean Air Amendments of 1990 required a 50 percent reduction in SO₂ emissions from electric-utility boilers. To accomplish this goal, an emissions trading program was constructed, under which a fixed number of emission allowances were allocated to electric utilities based on historical fuel use. (In addition, a small number of allowances are auctioned every year.) A natural question is whether the experience under the SO₂ programs provides insight into a carbon emissions trading system. Two notable aspects of the SO₂ experience include:

- First, a tradeable permit system can reduce the cost of meeting environmental problems involving a limited number of polluters (e.g., electric utilities). Relative to the previous

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command-and-control approach to reducing SO₂ emissions, the tradeable permits program is widely hailed as a success in producing cost-effective environmental protection. Utilities found new and less costly ways to reduce SO₂ emissions than had been anticipated at the time the legislation was enacted.

- Second, the cost estimates before the trading system began operations were too high. Around the time that the 1990 Amendments were enacted, a commonly held view was that achieving the targeted reduction in SO₂ would require the price of emissions to rise above \$400 per ton, and possibly as high as \$1,000 per ton. Today, the price of SO₂ allowances ranges between \$90 and \$120 per ton -- despite the fact that SO₂ emissions from utilities in 1995 and 1996 were 3 million tons lower than required.

There are several important caveats, however, that limit the applicability of the lessons from the SO₂ program to a carbon emissions program. In particular:

- A carbon emissions program would be *substantially* larger than the SO₂ program: The annual stock of permits under the SO₂ program is worth less than \$1 billion; the annual stock of permits under a carbon trading program might be worth between \$30 billion and \$150 billion. And a significant reduction in carbon emissions will require much more fundamental changes in the structure of the American economy than the SO₂ program. Treasury and CEA argue that any emissions trading system for carbon will be substantially more difficult -- and perhaps even impossible -- to administer than is the case for SO₂. EPA -- which administers the SO₂ program -- does not believe that this difference in scale would significantly complicate administering a CO₂ trading program.
- Simple price comparisons -- showing that the actual permit prices are much lower than predicted -- may be somewhat misleading. Some of the early price estimates conflated the two phases of the program (we're still in the first phase), and were based on inaccurate guesses as to the provisions of the final bill. The last pre-enactment estimate -- the one with the best information about the legislation that would actually be passed -- projected that the permit price would be between \$170 and \$200 per ton. The degree of true prediction error may be less than some have suggested.
- The remaining discrepancy between predicted and actual permit prices under the SO₂ program partially reflects the deregulation of the freight-carrying railroads -- a development that had nothing to do with the SO₂ program -- which facilitated increased use of low-sulphur coal. Although there are many policy areas that could affect the cost of a carbon trading program -- such as electricity deregulation -- it is, by definition, impossible to know how unexpected future policy actions will affect such costs.

Direct Allocation Versus Auctioning-With-Revenue Recycling

Another issue related to a permit system, and one we touched upon in our meeting, is whether the permits should be auctioned or allocated (that is distributed by the government to designated recipients). One approach to allocating permits would be to “grandfather” them to existing emitters. It is essential to recognize that regardless of whether the permits are auctioned or allocated, consumers are likely to bear most of the costs involved in reducing emissions (through higher energy prices). Thus the choice between auctioning and allocating does not in any way avoid the role of higher energy prices in reducing carbon emissions.

To summarize the pros and cons:

DIRECT ALLOCATION

PROS

- More difficult to characterize as a tax: An allocation program does not involve directly raising revenue. Previous allocation programs -- such as the SO₂ program -- have not been viewed as a tax.
- Corporate support: Our outreach effort suggests that an allocation system could be crucial to generating corporate support -- or at least minimizing opposition -- for the effort to reduce greenhouse gas emissions. But it is not possible to avoid imposing costs on at least some current polluters, so that opposition will remain in the corporate sector.

CONS

- Regressivity: Even with allocated permits, companies are likely to pass most of the higher energy costs on to consumers. Any program that involves direct allocation to businesses thus protects corporations even though they do not need protection, and gives away the funds that could protect consumers, who will bear most of the costs from adjusting to the emissions reduction scheme.
- Corporate welfare: One way to think about the difference between direct allocation and auctioning is to recognize that allocation is functionally equivalent to auctioning the permits, and then giving the proceeds of the auctions back to the recipients of the permits. If permits are “grandfathered,” this wealth would go directly to existing emitters. The optics of “giving away” to companies as much as \$50 to \$100 billion per year, which represents about 10 to 20 percent of total after-tax corporate profits, may be difficult.
- Inefficiency: Treasury, Commerce, and CEA have grave reservations about the efficiency

-- and indeed even the feasibility -- of an allocation system, especially if the permit requirement is imposed downstream (e.g., on electric utilities). First, any downstream option must settle for only partial coverage of emissions to limit administrative burden. Second, the typical downstream system creates obvious incentives for evasion (e.g., cheating or building units that fall just short of the cutoff level).

AUCTIONS

PROS

- Auctioning would raise revenue -- potentially more than \$100 billion a year -- that could be used to reduce other taxes, fund the adjustment programs favored by the labor unions, offset the regressivity of the emissions reduction scheme, or raise national saving. As some rough examples of what could be done under a revenue-neutral auction approach, \$50 billion raised from auctioning permits could be used for one of the following:
 - Exclude over \$3,000 of payroll from both parts of the 12.4 percent OASDI tax;
 - Cut the employees' OASDI payroll tax (currently 6.2 percent) by 25 percent; or
 - Reduce the 15 percent income tax rate in the lowest bracket to 12.7 percent.

CONS

- Business groups are likely to recognize this as a tax. The theoretical benefits of auctions as a means of distributing the permits will be much less salient to the CEO of a large corporation than the necessity of having to purchase permits to continue operations. Businesses will view an auction as an obligation to pay for something they currently do for free -- even if they are able to pass the higher costs on to consumers.
- An auction would be more easily characterized as a tax than an allocation program. Although we could emphasize the differences between an auction and a tax, the auction would be scored by budget experts as a revenue flow to the Treasury.

III. THE COSTS AND BENEFITS OF A SLOWER APPROACH

The case for an approach with earlier reductions

Absent policy interventions, atmospheric greenhouse gas concentrations will increase during the next century to levels unknown on this planet for 50 million years. To avoid such extraordinary increases, *global* greenhouse gas emissions must at least begin to decline from projected levels early in the next century. For *global* emissions to begin to decline in this time frame, developed countries must move quickly to reduce their emissions, followed rapidly by

action by developing countries.

Those in favor of an approach with earlier reductions -- such as implied by reaching 1990 levels by 2010 -- argue that if the United States delays emissions reductions, it makes it more likely that other developed countries will do so too. It will be much longer, as well, before developing countries take any steps to reduce emissions. In such an event, businesses and consumers will make another generation of investment in relatively inefficient plant and equipment, and the world will become more and more committed to greenhouse gas concentrations far outside the range of historic experience.

- **Effect of delay on later emissions reductions.** For example, if our goal were to stay below 550 ppm of CO₂ in the atmosphere, a ten-year delay in starting emissions reductions would require emissions reductions to proceed much faster in later decades. Even assuming steep reductions in greenhouse gas emissions in distant decades (which our children and grandchildren may or may not be able to achieve), reductions must begin soon to avoid serious environmental damage.

The case for an approach with small reductions earlier and steep reductions later

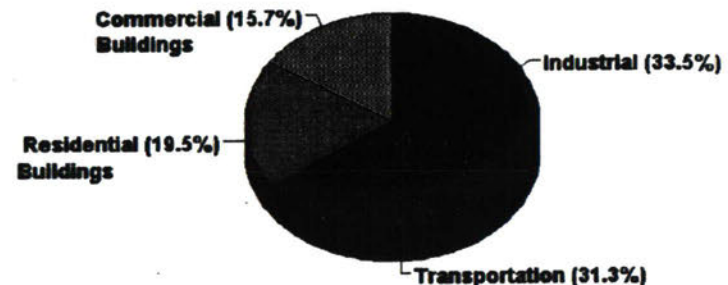
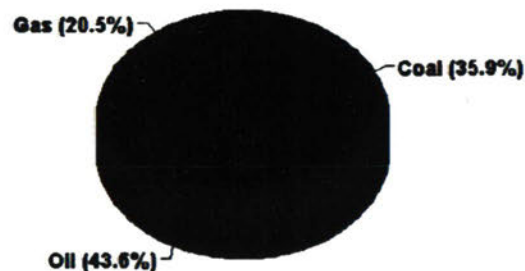
Other advisers are extremely concerned that a target anywhere close to 1990 emissions levels by 2010 would be excessively costly, like the oil price increases of the 1970s and imposing a reduction in the living standards of the average family of about \$1,000 -- equivalent to a tax on consumers at least five times as large as the Administration's 1993 BTU tax proposal. These advisers argue that the same environmental goals can be achieved at substantially lower economic cost by adopting a more gradual approach -- one that allows the economy to adjust slowly over time to the new constraints being imposed. There are three major reasons that a more rapid approach raises overall costs:

- **Capital stock.** It is very expensive to scrap capital stock while it is still in the prime of its useful life, and replace it with new plant and equipment that is more energy-efficient. Making efficiency improvements when the plants would have been replaced in any case significantly reduces the costs of such improvements because there are no additional costs of scrapping otherwise productive plant.
- **Lead time for technologies.** A second motivation for a slow takeoff in curbing greenhouse gases emissions is that it takes considerable time before emerging carbon-free or carbon-lean technologies are developed. Waiting until these new technologies are available before making expensive emissions-saving investments offers the potential of both lower economic costs and higher environmental payoffs.
- **Macroeconomic impact.** Your economic advisers believe that a plan to attain 1990 emissions levels by 2010 would produce "stagflation" -- higher unemployment and higher inflation. In contrast to the two oil shocks, the increases in energy prices associated with

a treaty to reduce greenhouse gases would be anticipated, rather than a surprise. Nevertheless, your economics team expects that the efforts of the Federal Reserve to contain inflation, coupled with likely efforts on the part of workers to recoup real wage losses -- even if those losses are anticipated -- will lead to a period of higher unemployment.

Sources of Greenhouse Gases

- ♦ CO₂ released by consumption of coal, oil, is responsible for 85% of U.S. greenhouse gases
- ♦ U.S. greenhouse gas emissions are now 10% above 1997 levels and are projected to be 28% above 1990 levels because of growing demand for energy. 1997 production was 1,480 Million Metric Tons (MMT)
- ♦ Coal produces 72% more greenhouse gases than natural gas per unit of energy delivered; 22% more than oil.
- ♦ Coal and gas prices are expected to fall 15% by 2010 and oil prices are not expected to change.
- ♦ Oil remains the single largest source of CO₂ and 73% of oil is used in transportation. Coal burning produces 85% of CO₂; 85% of coal is used to generate electricity.
- ♦ Transportation, Industry, and buildings are each responsible for about a third of US greenhouse gases. Residential buildings are responsible for slightly more than half of the total contribution buildings.
- ♦ In these accounts, the CO₂ produced to generate electricity is charged to the sector using the electricity. Taken together, emissions of electric production sold to all sectors is 36% of U.S. CO₂.

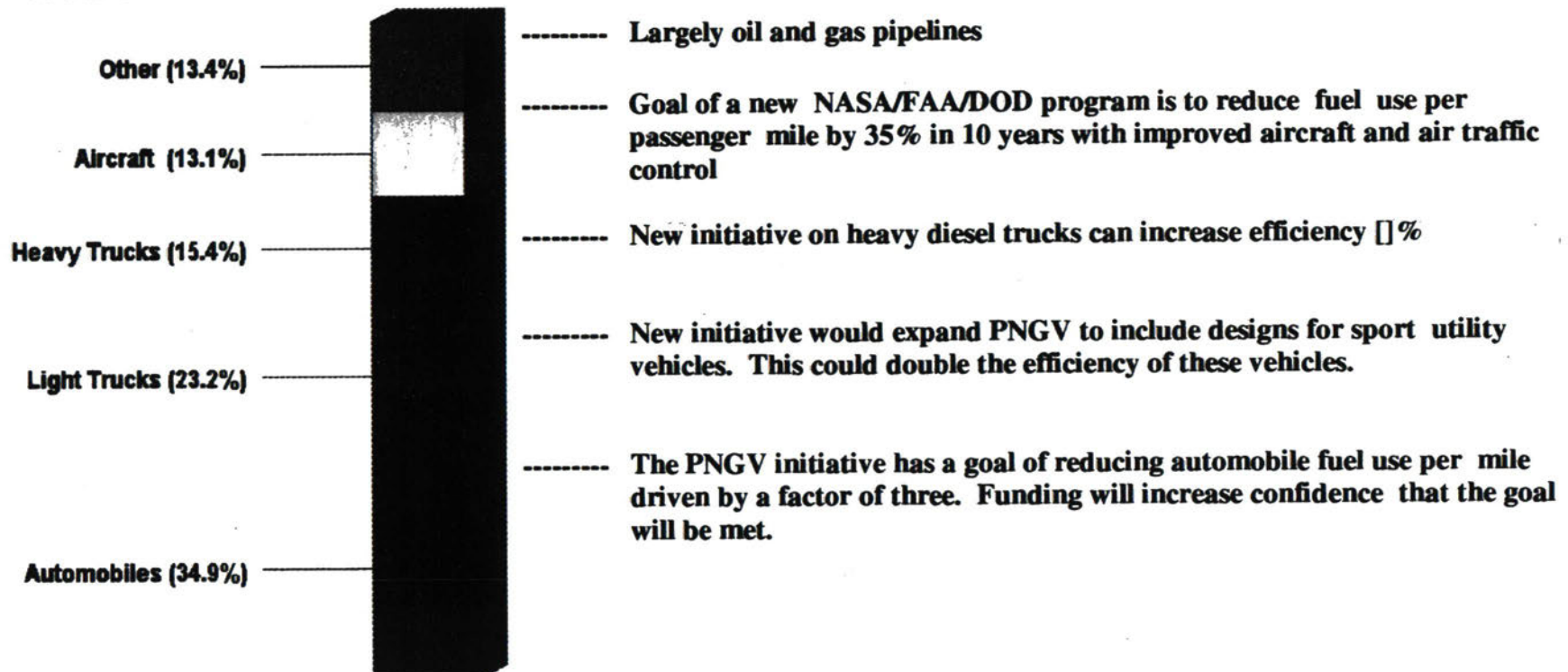


Transportation

- ◆ **Transportation contributes 31% of U.S. CO₂ and output is growing 1.8% per year (10 MMT/year) – twice as fast as industry and buildings -- because vehicle miles traveled have been increasing by nearly 3%/year and because nearly half (44.5%) of all passenger vehicles sold are now sport-utility vehicles and other “light trucks” which get, on average, 25% fewer miles per gallon than automobiles.**
- ◆ **More than 98% of all transportation energy comes from petroleum**

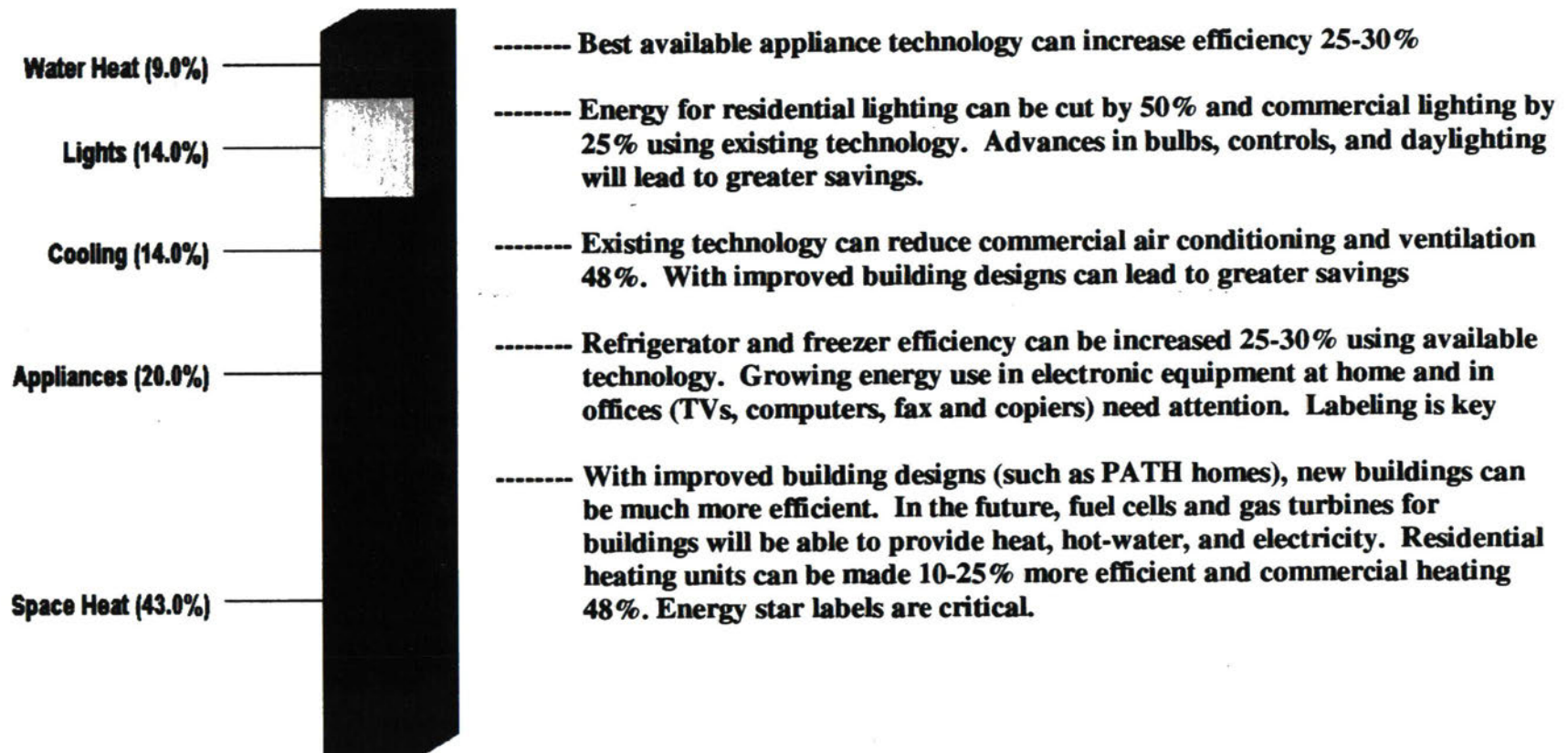
Percent of all U.S. CO₂ Production

Options



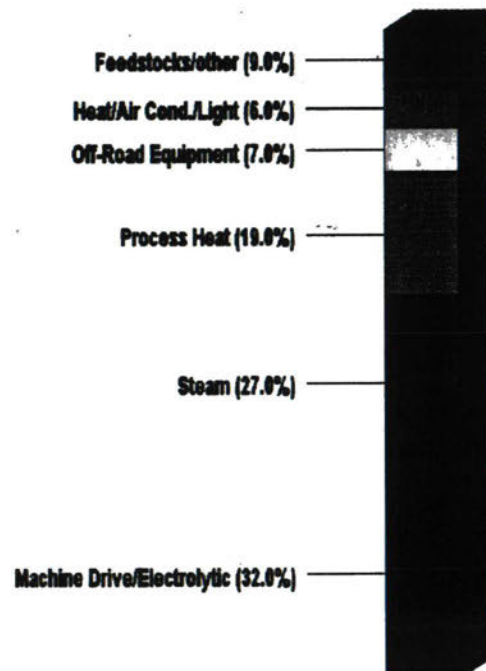
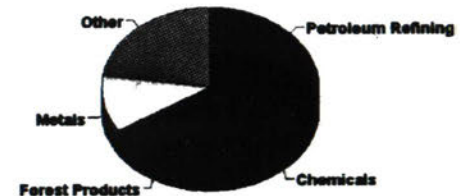
Buildings

- ◆ Residential buildings produce 19% of U.S. CO₂ and emissions are expected to grow 1% annually (2.6 MMT/year). Energy demand is greatest for heating, electrical appliances (refrigerators, clothes dryers), and air conditioning.
- ◆ Commercial buildings produce 15% of U.S. CO₂ and emissions are expected to grow 1% annually (2.1MMT/year). Energy demand is greatest for lighting, electric equipment (computers, fax machines, copiers), and air conditioning.



Industry

- ◆ Manufacturing industries produce a third of all CO₂ – an amount which is expected to increase at 0.8% per year (4 MMT/year).
- ◆ 80% of all industrial CO₂ comes from petroleum refining, Chemicals, Paper, lumber and other forest products, and metals (dominated by steelmaking).
- ◆ While overall growth of industries is expected to average 2.6% during the next 15 years, output from the energy intensive industries responsible for most of CO₂ production is expected to be about half this. Growth is much faster in information-intensive industries



----- In the future, some biomass products could be substituted for oil/gas

----- Savings much like those available for commercial buildings

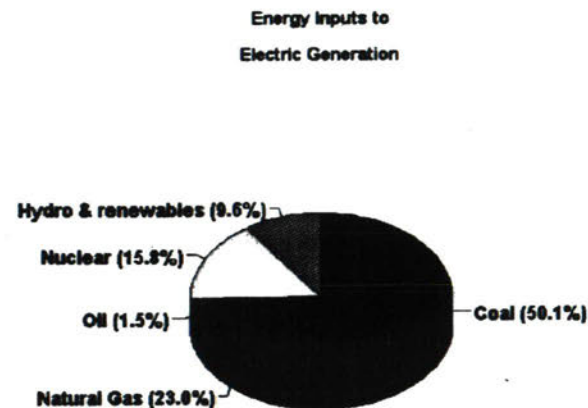
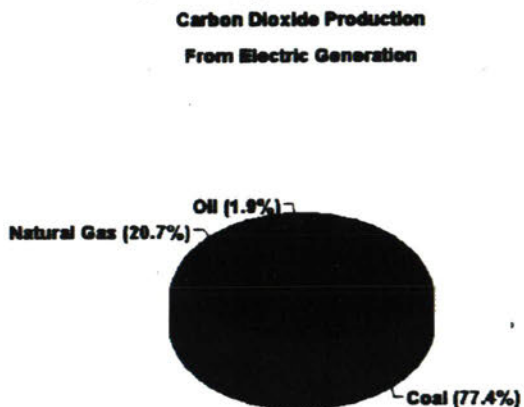
----- New diesel technology can be applied to many of these uses

----- Steam and process heat dominate the energy use chemical manufacturing, paper production, and many other energy-intensive operations. Available industrial natural gas turbines produce electricity and process heat and produce 1/3 to 1/2 as much CO₂ as conventional systems. Regulatory changes are needed to encourage high-efficiency, new units. New chemical processing techniques and use of biomass instead of fossil fuel can lead to further gains.

----- Motors, compressed air, and other machines providing mechanical power can be improved ☐ % using improved control strategies, more efficient designs and components.

Electric Generation

- ♦ Electric utilities produce 23 % of U.S. CO₂ and input is increasing rapidly (1.4 %/year or 4.2 MMT/year). The increase results largely from rapid growth in demand for electricity in buildings. Electricity used for residential, commercial, and industrial buildings represents over 2/3 of U.S. demand for electricity.
- ♦ On average, the electric energy produced by an electric generator is about third of the energy in the fuel consumed. The remaining energy is released as waste into the air or nearby rivers.
- ♦ Sweeping regulatory changes are transforming this industry from a heavy regulated monopoly to one where generation of electricity is likely to be highly competitive. The result is likely to be much increased use of natural gas in high-efficiency turbines. The administration's approach to deregulation will be one of its most important climate change actions.
- ♦ An increasing fraction of generation is expected to be done close to the industrial or commercial sites where the power is needed. This makes it much easier to use the heat from electric generation which would otherwise be wasted.
- ♦ In the near-term, regulatory reform and incentives to reduce carbon output could increase use of existing natural gas electric generators and encourage replacement of coal with natural gas (CO₂ from electric generation could be reduced as much as 23 % using these methods given a CO₂ tax of \$50/ton). Mixing wood waste and other biomass materials with coal and using wind equipment could lead to an additional 2 % reduction.
- ♦ Over the long term, photovoltaics, wind, biomass, and advanced nuclear could make major contributions.



12/16/97

12-16-97

THE WHITE HOUSE
WASHINGTON

'97 DEC 15 PM3:10

December 15, 1997

MEMORANDUM TO

THE PRESIDENT

FROM

RAHM EMANUEL
SIDNEY BLUMENTHAL
MICHAEL WALDMAN
PAUL BEGALA

SUBJECT

INTELLECTUALS DINNER

*copied
Emanuel
Blumenthal
Waldman
Begala
Verveer
COS*

In preparation for the State of the Union, we have attached a suggested list of wide-ranging intellectuals for a small dinner to be held at the White House on January 7th. The dinner is intended to provide you the opportunity to hear a broad range of views that relate to the larger issues to be addressed in the State of the Union speech on January 27th.

The suggested size of the dinner is 10 to 12 guests. Based on the suggested list, please check or circle the individuals you would like to invite.

cc The First Lady
Erskine Bowles
Melanne Verveer
Capricia Marshall

*Harriet Bowles
been very curious of her
words about
Rush Patterson - they
haven't followed up
on her proposal
PC*

Suggested List for the January 7th Intellectuals Dinner
(In no particular order)

Daniel Yergin

Pulitzer Prize winning author and historian; heads an international consulting business on the energy industry; has just finished a book on the new economy.

Richard Rorty

One of the leading living American philosophers, a proponent of pragmatism; at the University of Virginia; has just completed a book on why the American left should abandon its abstractions and become practical.

Michael Sandel

The leading communitarian political philosopher; Harvard University; most recently author of *Democracy's Discontent*, on the past and future of progressivism; has begun writing a book on markets and democracy; writes frequently for The Atlantic and writes a column for The New Republic.

Ethan Kapstein

Expert on workers and the international economy; believes in a new social compact and free trade; former director of studies at the Council of Foreign Relations; professor at the University of Minnesota.

Samuel Beer

Grand old man of political philosophy; Harvard emeritus; leading proponent of the national idea; author, most recently, of *To Make a Nation: The Rediscovery of American Federalism*; expert in trans-Atlantic political links (has even written about the world after Blair).

Cass Sunstein

University of Chicago legal scholar; author of a new book, *Free Markets and Democracy*, arguing for a new social compact; writes frequently for The Atlantic, The New Republic, The New York Times.

Paul Romer

Leading economist of the new economy; University of California at Berkeley, son of Roy Romer.

John Morton Blum

Distinguished presidential historian; Yale University.

Benjamin Barber

Leading thinker on globalization and political culture; author of *McWorld and Jihad*; Rutgers University.

James Chace

Distinguished historian; just completed the definitive biography of Dean Acheson; editor of World Policy Journal; devoting efforts to conceptualizing a new internationalist American model.

Stephen Holmes

University of Chicago political philosopher; author of many works, including *The Anatomy of Antiliberalism*, a critic of both conservatism and communitarianism.

Paula Rayman

Director of the Radcliffe Public Policy Institute, probably the leading center for women scholars in the nation.

Alan Brinkley

Columbia University history professor, widely quoted scholar of liberalism. Author of *The End of Reform: New Deal Liberalism in Recession and War* and *The New Federalist Papers*.

Sherry Turkle

MIT professor, leading authority on the Internet and computers and how they affect human relations. Books include *The Second Self*.

Or

Esther Dyson

Very influential newsletter editor and author on the Internet. Her current book is *Release 2.0*.

Dani Rodrik

Harvard economist, author of *Has Globalization Gone Too Far?*, a book recommended by Larry Summers which the President has read and enjoyed.

William Ferris

Newly appointed chair of the National Endowment for the Humanities.

Orlando Patterson

West-Indian-born Harvard Professor, author of *The Ordeal of Integration*, a contrarian and very well-reviewed new book that defends affirmative action but which argues that America is far too obsessed with race and diversity.

Bill Galston and Diane Blair have been involved in the previous dinners (Galston organized them each year, and Diane did a political scientists' dinner). You may want to call her, at least, to get ideas.

Michael Lind

Formerly with the National Review, has become disenchanted with conservatism. Author of *The Next American Nation* and a new book on Hamilton, he is a Hamiltonian (nationalist) who favors a strong central government. An idiosyncratic thinker, but an interesting one.

Judith Rodin

President of the University of Pennsylvania. First female President of an Ivy League school.

Walter Dean Burnham

University of Texas political scientist who first popularized the notion of "Realignment." He recently described the Clinton Presidency as a "finger in the dike" Presidency, passively holding off the disastrous initiatives of the GOP. But a little time and attention could turn him around-he is very influential with a variety of elite pundits.

William Julius Wilson

Harvard sociologist and expert on urban sociology.