

THE PRESIDENT WAS SEEN
3-22-98

THE WHITE HOUSE
WASHINGTON
March 21, 1998

Chron

MR. PRESIDENT:

Attached are the following weekly information items:

- (A) Weekly Economic Briefing
- (B) Interest Rates and the Stock Market (CEA) and Update on Emerging Markets (Treasury)
- (C) DPC Report
- (D) NEC Report
- (E) CEQ Report
- (F) Emanuel Report
- (G) Legislative Report
- (H) Race Initiative Report
- (I) Public Liaison Report
- (J) Communications Report
- (K) Intergovernmental Report
- (L) Cabinet Affairs Report
- (M) OSTP Report
- (N) Political Report

Tab A - entire rept: Yeller / COS
pg 6: McGinty / COS
Reed / COS

Tab C - Reed / Kagan / COS
pg 4: Emanuel / COS / STREET
original to ~~Burkhardt~~ LEGAFF / WALKER

Tab D - Sperling / COS / A. LEWIS (P. 1)

Tab E - McGinty / COS

Tab F - Emanuel / COS

Tab G - Stein / COS

Tab I - Echaveste / COS
page 1 original to Burkhardt

Tab J - Lewis / COS

Tab M - Gibbons / COS / Stern

Phil Caplan
Sean Maloney

WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

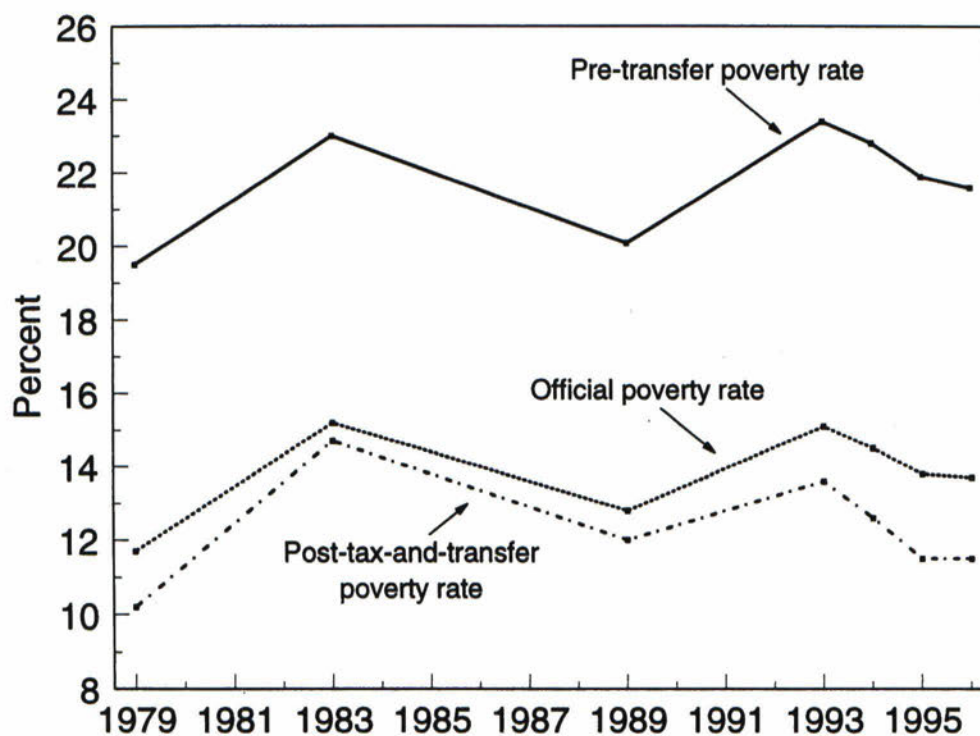
Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

March 20, 1998

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Jellen
COS
page 6
McGinty / COS
Reed / COS

CHART OF THE WEEK

Antipoverty Effectiveness of Government Transfers



The antipoverty effectiveness of government transfer programs is greater now than it was in 1989, as measured by the difference between the pre-transfer poverty rate and the official poverty rate (which is based on cash income plus means-tested cash transfers). However, both the pre-transfer and the official poverty rates remained higher in 1996 than they were in 1989. By contrast, a measure of the poverty rate based on an income measure that includes means-tested non-cash benefits and taxes (including the EITC) is now lower than it was in 1989—though progress appears to have stalled between 1995 and 1996.

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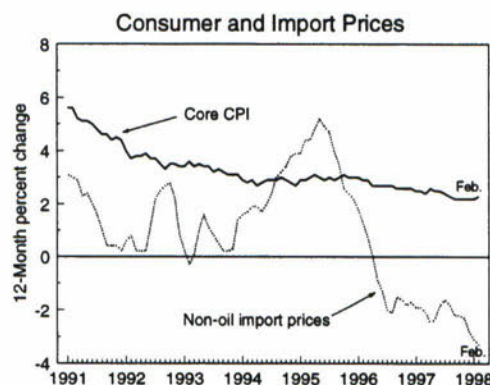
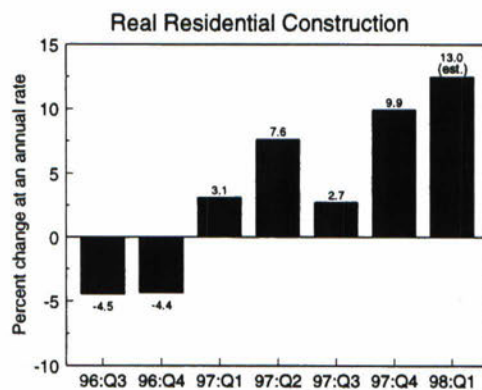
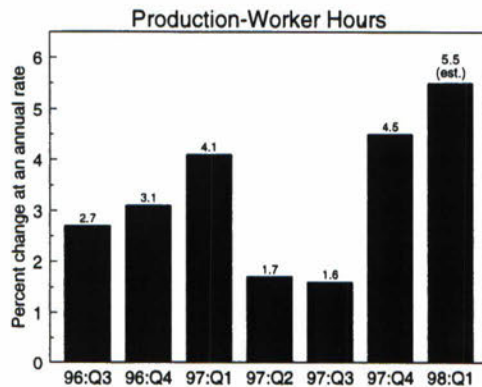


"Although my client was well aware of the falling crime rate, Your Honor, he chose not to be trendy."

MACROECONOMIC UPDATE

Still No Sign of a Slowdown

Recent economic data, most notably the February jobs report, show that the economy has continued to defy predictions of a slowdown. First quarter growth could be similar to last quarter's 3.9 percent.



Employment and hours. Payroll employment rose 310,000 in February. Total hours of production workers appear to be rising at about a 5½ percent annual rate in the first quarter (see upper chart).

Spending. The strength that first appeared in the labor market has since been confirmed by reports of healthy household spending. Continued gains in real incomes, a decline in interest rates last year, and near-record levels of consumer confidence have reignited growth in goods consumption (which had stalled in the fourth quarter) and pushed new home construction even higher (see middle chart). The latter is now the fastest-growing major component of demand.

What could slow growth? Expectations of slowing growth were based on a ripple effect from the Asian economic crisis and an anticipated drop in inventory investment. Although both remain likely in the first quarter, they have been offset by unexpected strength in household spending. Increases in interest rates to slow growth remain unlikely without clear signs of rising inflation. But core CPI inflation has fallen to 2.3 percent. Falling import prices (see lower chart) have been a major factor keeping

inflation in check. Nonpetroleum import prices have fallen 3¼ percent in the last 12 months, while the spot price of crude oil has declined from over \$20 per barrel last fall to well under \$15 per barrel this week.

SPECIAL ANALYSIS

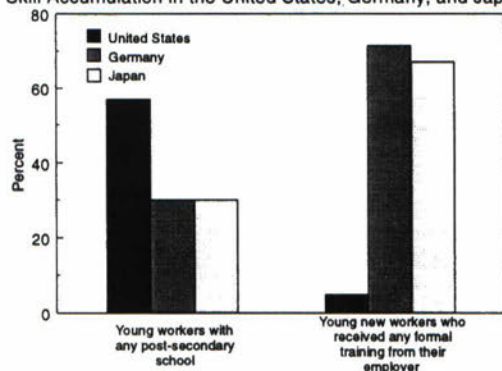
Investing in Skills in the United States, Germany, and Japan

U.S. employers are much less likely to provide their workers with formal training in general skills than are employers in Germany and Japan. U.S. workers are, however, much more likely to have had post-secondary schooling than their German and Japanese counterparts (see chart). Such schooling may be a reasonable substitute for employer-provided training.

The importance of general skills. Investment in human capital is a critical component of economic growth. General skills, defined as those that could be of use to many employers, may be particularly important for growth. Such skills contribute not only to workers' current productivity but also to their ability to learn new skills and adapt to new tasks and jobs more quickly.

Incentives to underinvest in training. Employers are likely to underinvest in general training if other employers can free-ride by hiring away workers once they are trained. Workers, in turn, may not want to bear the costs of employer-provided

Skill Accumulation in the United States, Germany, and Japan



training by accepting lower wages during the training period if they are not sure they will be rewarded by higher wages after being trained. These incentives to underinvest in employer-provided general training may be particularly strong in the United States, where labor turnover is high and there is no national, standardized credential system for employer-provided training.

Institutional solutions in Germany and Japan. The situation is different in Germany and Japan, where an array of institutional features support and promote employer programs to provide general skills training. In Japan, lifetime employment, high social costs imposed on "poachers," and a tradition of loyalty to the firm allow employers to capture the returns to investing in general training of their workers—and such training is widespread. In Germany, workers and firms share in the investment in general training. An apprenticeship system that provides nationally recognized certifications upon completion makes young workers willing to help finance their training through lower initial wages; in addition, efforts of the local chambers of commerce to protect firms against poachers make firms willing to share in the investment. Centralized employer groups and unions work with the government to coordinate a national training strategy.

The importance of formal schooling in the United States. Formal schooling is an alternative way of acquiring general skills. In the United States, post-secondary schooling rates among young workers are almost twice as high as they are in

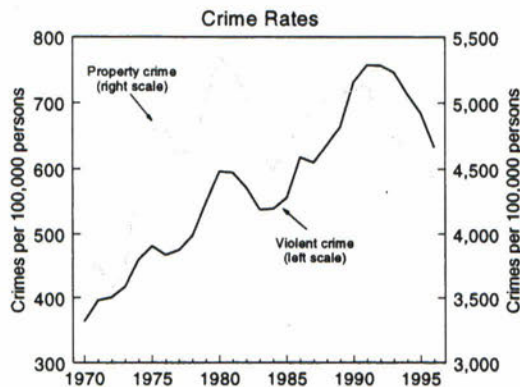
Germany or Japan. Moreover, it appears that, on average, a year of post-secondary schooling in the United States raises wages by the same amount as a year of formal, on-the-job training in the United States and in other countries. However, we know little about the relative effectiveness of employer-provided general training and post-secondary schooling for specific demographic groups of workers.

Implications. Post-secondary schooling is much more widespread in the United States than it is in many other industrialized countries. Moreover, post-secondary schooling may be an acceptable substitute for employer-provided training. Policies that promote post-secondary schooling can therefore play an important role in maintaining and improving the skill-level of the U.S. workforce.

ARTICLE

Does Crime Pay Less Nowadays?

Crime rates have been falling recently (see chart). But why? One explanation is that crime doesn't pay the way it used to—at least not when compared with other activities. Recent research suggests that an improving job market has been one important reason for the drop in the property crime rate since 1992. More police—and presumably a higher probability of getting caught—has been another.



Crime and economic incentives. If criminals weigh the costs and benefits to them of their actions, crime rates will tend to fall as the severity or probability of punishment increases and as legitimate activities such as employment become more attractive. The decline in the unemployment rate during the current expansion ought therefore to be a contributing factor to declining crime rates.

The evidence. A recent study of large U.S. cities looked at the impact of the size of the police force and labor-market conditions on the rates of both violent crime (murder, rape, assault, and robbery) and property crime (burglary, larceny, and motor vehicle theft) during the years 1970-1992. Holding other factors constant, more favorable labor-market conditions, indicated by reductions in the unemployment rate, were found to reduce property crime, as theory suggests. The unemployment rates did not seem to affect violent crime rates significantly, suggesting that property crime may be a much closer substitute for gainful employment than violent crime, or perhaps that violent criminals are simply not fully rational decisionmakers. Both types of crime fall substantially, however, with increased policing, arguing that criminals do weigh the cost and benefits of their actions. Neither welfare nor education spending affected crime rates in a statistically significant way.

Explaining recent reductions in crime. From 1992 to 1996 (the last year for which crime data are available), the violent crime rate fell by over 16 percent, and the property crime rate fell by over 9 percent. Over the same period, the number of police officers rose from 608,000 to 664,000 and the unemployment rate fell from 7.5 percent to 5.4 percent. Estimates from the study imply that the drop in the unemployment rate accounts for almost one-quarter of the reduction in property crime, with the increase in police officers accounting for another fifth of the reduction. The increase in the number of police officers can account for approximately half of the fall in violent crime.

The cost-effectiveness of cops. Although the cost of crime is difficult to gauge, some researchers have attempted to capture both the monetary costs of crime (such as medical bills and property loss) and the pain and suffering costs (using jury awards). These estimates do not account for either the fears and worries of potential crime victims or the preventive measures they take, ranging from purchasing locks to changing lifestyles. Even so, based on these estimates of the social cost of crimes, each additional police officer reduces crime costs by over \$200,000 per year. Since the annual cost of a police officer is about \$80,000 in salary and overhead costs, police officers appear to be a cost-effective investment in crime reduction.

Conclusion. Movements in the crime rate, especially longer-term trends, reflect a wide range of forces. But roughly half the recent drop in aggregate crime rates can be explained by two factors: an increase in the number of police officers and a reduction in the unemployment rate.

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Beige Book Reports Overall Strength, "Eerily Calm" Price Pressures. All Federal Reserve district economies continue to show overall strength, but a few have noted some recent moderation in their rates of growth, according to the Fed's commentary on regional economic conditions. Retail sales are generally up in most districts—exceeding retailers' expectations in many. Although auto sales are generally down, demand for pickup trucks and sport utility vehicles remains high. Industrial activity is on the rise in most parts of the country, with orders and production up. Most districts, though, are experiencing a decline in exports to Asia. The demand for labor remains strong, with nearly all districts reporting shortages of workers at the entry level and in certain skilled categories. Widespread labor market tightness appears to have increased the degree of wage pressures compared with recent reports. The Fed commentary describes pressures on product prices as "eerily calm," as domestic competition, productivity gains, and the Asian situation help to constrain production costs. Residential housing markets, buoyed by low interest rates and mild weather in many districts, are unseasonably strong.

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Study Finds U.S. Pollution Control Has Successes but Needs an Overhaul. The greatest strength of the U.S. pollution control system is its proven ability to reduce conventional pollutants generated by automobiles and large point sources such as power plants and factories. For all these successes, however, the U.S. environmental regulatory system is deeply and fundamentally flawed. These are the conclusions of a new assessment published by Resources for the Future, a private research organization. The authors identify the fragmented nature of the system as its most important shortcoming, blaming the Congress for proliferating rigid environmental laws that are largely unrelated to each other and for failing to set priorities. The study argues that this fragmentation increases the cost of compliance and greatly reduces the effectiveness of pollution control.

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Good Charter Schools Get Good Report Card. Charter schools can improve achievement of inner city and rural students, according to a new study of 31 charter schools in eight states (Arizona, California, Colorado, Georgia, Massachusetts, Michigan, Minnesota, and Texas). The study asked state officials to nominate three to five charter schools in their state that have a well-developed evaluation system and have been successful in improving student achievement. The study addressed three questions: 1) How are charter schools assessing student achievement? 2) What are charter schools doing to meet accountability requirements? 3) Are charter schools improving student performance? A key finding on the third question is that 21 of the 31 schools in the sample—including some with substantial enrollments of disadvantaged and minority children—reported gains on standardized tests. The authors admit that the results are not definitive. The report has been criticized for using a limited sample of only the best schools (fewer than 4 percent of the total number of charter schools in operation), and for basing its conclusions on information provided by the schools, which could have withheld negative data.

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INTERNATIONAL ROUNDUP

EU Proposes Agricultural Reform. This Wednesday, the European Commission adopted proposals for reforms to Agenda 2000, its strategy for strengthening and widening the European Union. Among them were plans to implement wide-ranging changes to the EU's Common Agricultural Policy (CAP), in an attempt to move away from distortionary price supports to direct income support. The proposals—which continue a process begun in 1992 to wean farmers from reliance on government support—call for cuts of up to 30 percent in the guaranteed minimum prices of cereals, beef, and dairy products. Pressure to reform the costly agricultural system of subsidies and supports has been mounting, both internally and from trading partners. Several eastern and central European countries are scheduled to begin accession talks with the EU, and it is unlikely that the CAP would be able to support these countries' large and relatively inefficient agricultural sectors.

Study Suggests Brazil Has Much to Gain from Reform. Recent reforms in Brazil have begun to revive an economy in which living standards had been stagnant since 1980. A recent study by the McKinsey Global Institute suggests that if Brazil forcefully continues current reform efforts, it could achieve real growth of as much as 8.5 percent per year. This is higher than most other projections and would more than double per capita income in a decade (Brazil's GDP per capita was 23 percent of U.S. GDP per capita in 1995.) The study's conclusions are based on case studies of important sectors in the economy (including airlines, cars, steel, telecommunications, food processing, and retail banking). Most of the sectors studied exhibited levels of labor productivity well below those of comparable U.S. industries. The study observes that simply optimizing current production processes could add 2 percentage points to the growth rate, and that substantial gains could come from modest investments with a payback period of under 2 years. To raise growth to 8.5 percent per year would, however, require raising investment to 26 percent of GDP from today's 19 percent. This would probably require an increase in the stock of foreign direct investment and foreign debt—though not to levels that would be unsustainable, assuming sound macroeconomic management.

China Has Excess Electricity Generating Capacity—for Now. Annual growth in electricity demand has been slower than projected by the Chinese government, resulting in excess generating capacity that could persist for another 2 to 5 years, according to statements by U.S. firms involved in China's electric power sector. Almost three-fifths of electricity consumption is by heavy industry, which is arguably the sector suffering most from state-enterprise reform, the Asian financial crisis, and the overall Chinese economic slowdown. Slower demand growth may also reflect efficiency gains achieved in the last decade, although electricity use per dollar of GDP remains more than three times higher than it is in OECD countries. On the supply side, Chinese power plants have become increasingly reliable, and thus able to supply more annual hours of electricity per plant. Some power deficits can still be found, however, particularly in low-income rural areas, and in central and western China.

RELEASES THIS WEEK

U.S. International Trade in Goods and Services

The goods and services trade deficit was \$12.0 billion in January; it was \$10.9 billion in December.

Consumer Price Index

The consumer price index increased 0.1 percent in February. Excluding food and energy, consumer prices increased 0.3 percent.

Housing Starts

Housing starts increased 6 percent in February to 1.636 million units at an annual rate.

Industrial Production and Capacity Utilization

The Federal Reserve's index of industrial production was unchanged in February following an increase of 0.1 percent in January. Capacity utilization fell 0.3 percentage point, to 82.7 percent.

MAJOR RELEASES NEXT WEEK

Advance Durable Shipments and Orders (Wednesday)
Gross Domestic Product (Thursday)

U.S. ECONOMIC STATISTICS

	1970- 1993	1997	1997:2	1997:3	1997:4
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	3.8	3.3	3.1	3.9
GDP chain-type price index	5.4	1.8	1.8	1.4	1.4
<u>Nonfarm business (NFB) sector:</u>					
Productivity (chain-type)	1.5	2.1	2.3	3.6	1.6
Real compensation per hour:					
Using CPI	0.6	2.2	1.8	1.8	3.1
Using NFB deflator	1.3	2.5	2.0	2.7	3.9
Shares of Nominal GDP (percent)					
Business fixed investment	10.9	10.5	10.4	10.7	10.5
Residential investment	4.5	4.0	4.0	4.1	4.1
Exports	8.2	11.9	12.0	11.9	12.0
Imports	9.2	13.1	13.1	13.3	13.2
Personal saving	5.3	2.8	3.1	2.6	2.8
Federal surplus	-2.7	N.A.	-0.5	-0.1	N.A.
	1970- 1993	1997	Dec. 1997	Jan. 1998	Feb. 1998
Unemployment Rate	6.7**	4.9**	4.7	4.7	4.6
Payroll employment (thousands)					
increase per month			354	375	310
increase since Jan. 1993					15035
Inflation (percent per period)					
CPI	5.8	1.7	0.1	0.0	0.1
PPI-Finished goods	5.0	-1.2	-0.2	-0.7	-0.1

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

New or revised data in **boldface**.

FINANCIAL STATISTICS

	1996	1997	Jan. 1998	Feb. 1998	March 19, 1998
Dow-Jones Industrial Average	5743	7441	7808	8324	8803

Interest Rates

3-month T-bill	5.01	5.06	5.04	5.09	5.04
10-year T-bond	6.44	6.35	5.54	5.57	5.58
Mortgage rate, 30-year fixed	7.80	7.60	6.99	7.04	7.08
Prime rate	8.27	8.44	8.50	8.50	8.50

INTERNATIONAL STATISTICS

Exchange Rates

	Current level March 19, 1998	Percent Change from Week ago	Year ago
Deutschemark-Dollar	1.830	0.1	8.7
Yen-Dollar	130.4	0.9	6.2
Multilateral \$ (Mar. 1973=100)	100.7	0.1	5.5

International Comparisons

	Real GDP growth (last 4 quarters)	Unemployment rate	CPI inflation (last 12 months)
United States	3.8 (Q4)	4.6 (Feb)	1.4 (Feb)
Canada	4.2 (Q4)	8.9 (Jan)	1.2 (Jan)
Japan	-0.2 (Q4)	3.5 (Jan)	1.8 (Jan)
France	3.2 (Q4)	12.2 (Jan)	0.5 (Jan)
Germany	2.3 (Q4)	7.8 (Nov)	1.2 (Jan)
Italy	2.8 (Q4)	12.3 (Oct)	1.6 (Jan)
United Kingdom	2.9 (Q4)	6.4 (Jan)	3.3 (Jan)

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March 20, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. Tobacco -- Senate Commerce Committee Activity: We have been meeting regularly with staff for Sens. McCain and Hollings, as they try to put together a comprehensive tobacco bill that a bipartisan coalition on the Commerce Committee can support. McCain is very pleased with our cooperation, as we are with his genuine desire to gain our support, and he is aiming to complete a mark-up before the April recess. But at least two serious obstacles remain. First, many Republicans -- including Sens. Jeffords and Hatch, who are not on the Committee, but whom McCain feels he must work with closely -- object to our proposal on FDA authority. Whereas we want Congress to affirm that the FDA can regulate tobacco products under its normal drug-and-device authority, these Senators want Congress to create a separate -- and we believe, less potent -- statutory scheme to govern the regulation of tobacco products. We have met with a bipartisan group convened by McCain and Hollings -- including staff for Sens. Hatch, Jeffords, Kennedy, and Conrad -- to discuss this issue, but so far have made little progress. One problem is that the Republicans have no incentive to give us what we want on FDA jurisdiction until they know whether we will approve the limits they want on the tobacco companies' liability.

But we will get any

Second, Sen. Daschle will pressure Democrats on the Committee to oppose any bill with liability protections, regardless of what else is in it. Daschle argues that if Congressional Democrats give up liability limits as an issue now, they will find it more difficult to get what they want on spending priorities later. (The Commerce Committee bill will not address the issue of how to spend the revenues it generates.) But because McCain believes he must include some liability limits in his bill -- he is leaning toward the Chafee-Harkin model of a cap on annual damages, with no limitations on class actions or punitives -- Sen. Daschle's approach poses a risk of wholly derailing the Commerce Committee effort. Although Daschle will not be able to control the votes of Hollings, Ford, or Breaux, he could persuade Inouye, Wyden, and Kerry, who are now generally supportive of McCain's effort, to repudiate the legislation. At that point, McCain might decide to abandon the project, rather than face a partisan attack on this issue. Erskine and Larry will talk with Daschle this week to ask him not to discourage Committee Democrats from supporting an otherwise good bill.

2. Tobacco -- State by State Numbers: In a speech to the PTA on Monday, the Vice President will unveil new Treasury Department statistics demonstrating that your tobacco plan

will cause a significant reduction in youth smoking -- and therefore in premature deaths -- in every state in the nation. As you recall, you announced last month that over the next five years, your plan would deter 3 million American teens from smoking and prevent one million from dying prematurely. The new Treasury statistics break down these figures on a state-by-state basis, showing for example that California alone will have 83,000 fewer tobacco-related deaths. We are giving these numbers to the state Attorneys General for separate announcements on the same day; after the Vice President holds a conference call with them in the morning, many will hold news conferences to release the numbers and demand that Congress pass bipartisan, comprehensive tobacco legislation. Later in the week, Deputy Secretary Larry Summers will give a speech at the George Washington University School of Public Health on the economic costs of smoking.

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3. Crime and Drugs -- Conference on Drug Treatment: The Justice Department, ONDCP, and HHS will hold a three-day conference on drug treatment in the criminal justice system next week. The conference will explore effective drug treatment services, obstacles to their adoption, and gaps in scientific knowledge on drug addiction. The Attorney General will unveil a new legislative proposal -- developed pursuant to your January 12, 1998 directive -- to allow states to use their Federal prison construction and substance abuse treatment funds to provide a full range of drug testing, treatment, and sanctions for offenders under criminal justice supervision.

4. Crime and Drugs -- Probation Study: The Department of Justice will release the first survey of the nation's 3.2 million probationers on Sunday. The survey found that:

-- Forty percent of all probationers were under the influence of alcohol, and another 14 percent were on drugs, at the time they committed the criminal offense for which they were sentenced.

-- Almost 70 percent of probationers reported past drug use, 32 percent during the month of their arrest. Overall, 67 percent had used marijuana, 31 percent crack or other forms of cocaine, 25 percent stimulants, 20 percent hallucinogens, 15 percent barbiturates, and 8 percent heroin or other opiates.

-- Almost half of all probationers reported having been tested for drug use while on probation. This figure rose to 65 percent among those who had used drugs during the month before their criminal offense, and to 74 percent among those who committed their offense to obtain drug money.

-- About 17 percent of all probationers reported participating in a drug treatment program during their sentence, but this percentage rose as the severity of their prior drug use increased. More than half -- or 52 percent -- of probationers who were on drugs when arrested had participated in a drug treatment program.

-- Sixty four percent had driven a car while drunk or drugged; 50 percent had been involved in a domestic dispute while drunk or high; and 35 percent had consumed as much as a fifth of a gallon of alcohol in a single day.

5. Crime -- COPS: The COPS Office will announce on Thursday \$58 million in hiring grants to 285 police departments to fund about 900 additional officers. This announcement will put the total number of officers funded through the COPS Program at over 72,000.

6. Health -- Patients' Bill of Rights I: Rep. Gephardt is insisting that the Democratic Leadership's version of patients' rights legislation include whistleblower protections for hospital employees. Although we are sympathetic to these protections, we believe their addition to the bill would diminish the prospect of passing legislation this year. Rep. Dingell believes equally strongly that including whistleblower protections would be a strategic mistake, because they would prevent Blue Dog Democrats like Reps. Stenholm, Tanner, and Barry from supporting the bill. Indeed, Dingell has said that he would reconsider his decision to be the bill's lead sponsor in the House -- still further decreasing the chance of Congressional action -- if these provisions were added. We will continue to work with Gephardt, Dingell, and the Blue Dogs to see if compromise language can be developed. The Democrats are currently scheduled to introduce their bill as early as Wednesday.

7. Health -- Patients Bill of Rights II: Larry Stein and Chris Jennings had a good meeting on Thursday with Rep. Norwood, the Republican sponsor of patients' rights legislation in the House. Norwood believes there is strong bipartisan support in the House to pass this legislation, and wants to work with us to achieve this goal. We agreed that we should aim to pass a bill by July, and that the House would have to act first to put pressure on the Senate. Norwood said he would continue to support a strong enforcement scheme for patient protections, in part because he thinks such a scheme is necessary to maintain the backing of the AMA and consumer groups. He also indicated that he and his Republican colleagues would oppose any provisions mandating insurance plans to provide certain benefits.

*For
Gephardt*
8. Health -- Children's Health Implementation: HHS will announce the approval of Ohio's and California's children's health program next week. Because of the size and strength of these programs, we may want to highlight their approval at the White House, possibly with the Vice President participating in your absence. Also within the next ten days, HHS will make a decision on whether to approve New York's children's health proposal. New York's application has a controversial provision involving provider taxes that may lead HHS to disapprove it. The plan also takes insufficient steps to ensure that federal dollars not substitute for health insurance currently covered by the private sector.

9. Health -- Assisted Suicide Law: We met this week with representatives of the Catholic Health Association (CHA) to discuss the Justice Department's likely ruling that doctors in Oregon who assist their terminally ill patients to commit suicide, in conformance with state law recently enacted through referendum, do not violate the federal Controlled Substances Act

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prepare response

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(CSA). CHA informed us that Sen. Hatch and Rep. Hyde will introduce legislation amending the CSA to prohibit such action as soon as the Department issues this ruling. CHA is working with Hatch and Hyde on ways to draft legislation so that it will not inhibit physicians from the appropriate use of painkillers for the terminally ill, such as incorporating physician review boards into the prosecutorial and/or sentencing process. We will try to delay the release of the Justice Department's ruling until we have developed a roll-out strategy, including a position on federal legislation prohibiting physician-assisted suicide. You can expect a memo from us on that subject immediately after your return from Africa.

10. Education -- Coverdell Bill: Democrats defeated a cloture motion on the Coverdell bill last week after the Senate Majority Leader prevented them from offering any amendments. We expect a compromise to be worked out next week, and the Democrats to proceed with our plan of offering our school modernization proposal as a substitute. Although many in the education community are actively supporting this amendment, we expect it to be defeated on a party-line vote. If that happens, Coverdell will pass because the Democrats do not have enough votes to sustain a filibuster. As of now, however, there are sufficient votes to sustain a veto.

11. Education -- Teacher Training Program: At a mark-up of the Higher Education Act this week, the House Education and Economic Opportunity Committee rejected your teacher training proposal, which would provide scholarships to students who will commit to teaching in high poverty school districts. The Committee instead approved a much smaller and less well-focused provision sponsored by Rep. Goodling, which would provide grants to Governors to address a range of teacher preparation issues such as raising certification standards. To make matters worse, the Committee decided to fund this teacher preparation block grant by eliminating federal support for the National Board for Professional Teaching Standards. We are working with Gov. Hunt and the National Board staff to reverse this action on the House floor, including by demonstrating strong bipartisan gubernatorial support for the Board. At the same time, we are attempting to ensure that the Senate Education and Labor Committee produces a better teacher training provision.

12. Political Reform -- Free Television Time: We persuaded Senate Republicans last week to remove language from the Supplemental Appropriations bill that would prohibit the Federal Communications Commission (FCC) from establishing a system of free television time for candidates for federal office. The Republicans will add this rider to another bill, however, unless we can find some compromise approach to the issue. Sen. McCain is the key to a settlement, and we are meeting with his staff this week. One possible solution is for the FCC to put off issuing a Notice of Rulemaking to establish a system of free TV, and instead issue a simple Notice of Inquiry to review the issue. After your Advisory Committee on Public Interest Obligations of Digital Television Broadcasters has completed its work later this year, the FCC could determine to go ahead with a rulemaking.

14. Community Empowerment -- Brownfields: The Vice President announced last week the 16 winners of EPA's \$28 million Brownfields Showcase Communities program.

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Among the selectees were Baltimore, Chicago, Dallas, Kansas City, Los Angeles, St. Paul, Salt Lake City, Seattle, and Trenton. The program was very popular, with over 231 communities submitting applications, and we are exploring the possibility of funding a second round in the future.

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Beige Book Reports Overall Strength, "Eerily Calm" Price Pressures. All Federal Reserve district economies continue to show overall strength, but a few have noted some recent moderation in their rates of growth, according to the Fed's commentary on regional economic conditions. Retail sales are generally up in most districts—exceeding retailers' expectations in many. Although auto sales are generally down, demand for pickup trucks and sport utility vehicles remains high. Industrial activity is on the rise in most parts of the country, with orders and production up. Most districts, though, are experiencing a decline in exports to Asia. The demand for labor remains strong, with nearly all districts reporting shortages of workers at the entry level and in certain skilled categories. Widespread labor market tightness appears to have increased the degree of wage pressures compared with recent reports. The Fed commentary describes pressures on product prices as "eerily calm," as domestic competition, productivity gains, and the Asian situation help to constrain production costs. Residential housing markets, buoyed by low interest rates and mild weather in many districts, are unseasonably strong.

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Study Finds U.S. Pollution Control Has Successes but Needs an Overhaul. The greatest strength of the U.S. pollution control system is its proven ability to reduce conventional pollutants generated by automobiles and large point sources such as power plants and factories. For all these successes, however, the U.S. environmental regulatory system is deeply and fundamentally flawed. These are the conclusions of a new assessment published by Resources for the Future, a private research organization. The authors identify the fragmented nature of the system as its most important shortcoming, blaming the Congress for proliferating rigid environmental laws that are largely unrelated to each other and for failing to set priorities. The study argues that this fragmentation increases the cost of compliance and greatly reduces the effectiveness of pollution control.

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Good Charter Schools Get Good Report Card. Charter schools can improve achievement of inner city and rural students, according to a new study of 31 charter schools in eight states (Arizona, California, Colorado, Georgia, Massachusetts, Michigan, Minnesota, and Texas). The study asked state officials to nominate three to five charter schools in their state that have a well-developed evaluation system and have been successful in improving student achievement. The study addressed three questions: 1) How are charter schools assessing student achievement? 2) What are charter schools doing to meet accountability requirements? 3) Are charter schools improving student performance? A key finding on the third question is that 21 of the 31 schools in the sample—including some with substantial enrollments of disadvantaged and minority children—reported gains on standardized tests. The authors admit that the results are not definitive. The report has been criticized for using a limited sample of only the best schools (fewer than 4 percent of the total number of charter schools in operation), and for basing its conclusions on information provided by the schools, which could have withheld negative data.

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THE WHITE HOUSE
WASHINGTON

3-22-98

March 20, 1998

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A. Lewis (P.1)

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
RE: NEC WEEKLY REPORT
cc: ERSKINE BOWLES

✓ **"The Best Economy Ever":** On Thursday (3/19), Goldman Sachs released its monthly report on the state of the economy. The report states that "the current U.S. economic environment is the best ever -- steady growth without inflation." They cite structural changes in the economy (e.g., just-in-time inventory systems, globalization, more flexible labor and capital markets, financial market deregulation, and corporate restructuring), good economic policy (e.g., our trade liberalization, fiscal discipline, and sound monetary policy from the Fed), and just plain luck (e.g., the timing of Peso crisis and the Asia crisis when our economy was threatening to overheat) as the reasons for the current strong economy. In fact, Goldman states that "on the policy side, trade, fiscal, and monetary policies have been excellent, working in ways that have facilitated growth without inflation. The Clinton Administration has worked to liberalize trade and has used any revenue windfalls to reduce the federal budget deficit." They caution, though, that "looking forward, the picture [for the economy] is less bright." For example, they are concerned that the political tide is shifting against trade liberalization and that Congress may try to spend the surplus. And they are worried that the economy's good luck could change.

✓ **Representative Pomeroy -- Pension Portability:** To underscore your commitment to the pension issues, I participated in a press conference (Thursday 3/19) with Representative Pomeroy where he announced his pension portability bill. I appeared with Pomeroy to express the Administration's overall support for his bill which includes provisions that are in your pension packet, such as lowering the vesting of employer provider contribution from 5 years to 3 years (this will particularly benefit women who tend to move in and out of the work force more frequently), and an expansion of the PBGC missing participant program. In addition, the Pomeroy bill makes it easier for people to rollover pension savings when people change jobs. For example, the bill allows a person working for a state government who moves to the private sector to roll their pension savings into their new 401(k) plan. While I expressed overall support of Pomeroy's bill I stopped short of specifically endorsing each provision because Treasury is still working on the details. Representative Pomeroy was very pleased with our expression of support for his bill. Additionally, per your request, I discussed with him his participation in the White House Retirement Savings Summit to be held on June 4-5.

This is great & may be worth
a radio interview or a public meeting
either when I return.

Reaction to Cox-Big Seven Compromise on Internet Tax Freedom Act: Both the *Washington Post* and the *New York Times* on Friday (3/20) ran stories on the compromise on the Internet Tax Freedom Act. The *Post* quoted your statement that the agreement “is an important and constructive step towards a long-term solution.” Governor Wilson, one of the three governors who opposed the NGA’s earlier position on Internet taxation, endorsed the compromise. Senator Wyden, however, continued to express his opposition to the plan, saying that it would “create tens of billions of new taxes that will clobber small businesses.” Industry executives, also, expressed concerns about the bill, arguing that the “grandfather” exception to the moratorium would reward those state and local governments that had already started trying to tax the Internet. We will continue to work with members of Congress, the Big Seven, and industry to get a balanced bill this year.

New Numbers on the Community Reinvestment Act (CRA): We have more good news on how our CRA reforms are helping to bring private capital into low-income urban and rural neighborhoods. On Thursday (3/19), Secretary Rubin announced that there have now been \$397 billion in financial commitments to distressed communities since CRA was enacted 20 years ago. And 89% -- \$355 billion -- of those loan pledges have come in the past five years alone -- that's over 8 times more financial commitments in the last five years than in the previous 15 years combined.

G. I. BILL: The Senate version of the G.I. Bill (the “Workforce Development Act”) is making steady progress in getting to the Senate floor. As of Friday morning (3/20), there were two anonymous Republican holds that will likely not be cleared until early next week. Senate staff and the Departments of Labor and Education are working hard to resolve these issues and to make sure that the Republican leadership understands how important it is that this bill move quickly. In addition, on Monday (3/23), you are sending a letter to the Senate floor expressing your strong support for the bill.

School Construction and Coverdell: The Vice President met with Rep. Loretta Sanchez, Friday (3/20), in Southern California, and school construction was a part of his message. The Senate may reach an agreement soon for votes on the Coverdell legislation. This would include a vote on a school construction substitute based on the Administration’s proposal. We still expect to be able to hold most (but not all) Democrats on the substitute, and we have an outside chance for a couple Republicans (e.g. D’Amato).

High Hopes: We had a major victory on Wednesday (3/18): Over Chairman Goodling’s opposition, five Republicans joined all of the Democrats present to give us a 24-18 win on our proposal in Committee (the full \$140 million authorization, with no changes). The only real argument against was an opposition to “new programs.” We assisted Rep. Fattah who worked the bill very hard, Rep. Souder (Indiana) was the lead Republican. He was quoted as saying, “When you visit a high-risk elementary school in your district, you can see the hope and optimism in the eyes of the students there -- the same hope and optimism as in the eyes of students at more-affluent schools. But by the time these students move to junior high school, that hope has faded. I believe this new program will combat that.” The other Republican votes were

Scarborough, McIntosh, Upton, and Peterson. Bob Shireman on my staff is meeting with Fattah and Education staff Friday (3/20) to strategize on House passage and Senate movement.

Student Loan Interest and other HEA items: As the markup of the Higher Education Act reauthorization finished Thursday (3/19), the Committee adopted -- as expected -- the interest rate for students that we have proposed, but the proposal would guarantee lenders a rate that is about a half a percentage point higher. This will probably cost taxpayers at least \$1.5 billion more. We are also working on a strategy to get a low interest rate without having to include a new public subsidy to banks. On other HEA items, we were not successful (such as teacher training, early eligibility for aid, etc.), and will need to work with the Senate to get our proposals into the mix.

America Reads: Time is slipping away for Senate action to meet the July 1 deadline in last year's appropriations bill. Larry Stein and I will be meeting with Senator Lott's Chief of Staff on Tuesday (3/24) to impress upon him that (1) this was part of the BBA that we expect them to come through on, and (2) this can be a positive, bipartisan victory in a year when they will be accused of being a "do-nothing" Congress.

The findings of the National Academy of Sciences panel on "Preventing Reading Difficulties in Young Children," which came out on Wednesday (3/18), are consistent with America Reads and other initiatives: addressing reading problems early; well-trained teachers; manageable class sizes; and additional reading practice time.

Hispanic Education: Working with the NEC and Cabinet Affairs, Sarita Brown, the Director of the White House Initiative on Educational Excellence for Hispanic Americans pulled together the first meeting of a new "Intergovernmental Council," to get all agencies more engaged in the effort to improve education and employment opportunities for Hispanic Americans. John Garamendi, the Deputy Secretary at Interior, was tapped to co-chair the effort, and used Interior as a demonstration "case-study" for how other agencies can brainstorm to do more with the resources that they have. Bob Shireman of my staff gave an overview of our general education investments and the Hispanic-specific efforts in the Budget and over past year.

Minimum Wage: On Thursday (3/19), Senator Kennedy and Representative Bonior introduced legislation to increase the minimum wage by \$1 by the turn of the century. This bill represents the proposal you announced at the Democratic Unity event last month -- a 50-cent increase on January 1, 1999 and a 50-cent increase on January 1, 2000. As part of their introduction, Kennedy and Bonior held a minimum wage forum. I attended the event and stated that the Administration supports the legislation. I stressed your historic connection between the Minimum Wage and the EITC and that because of the expanded EITC and the higher minimum wage a full-time minimum wage worker is more than \$3,000 better off today than when you took office. (The higher minimum wage increased their earnings by \$1,800 and the expanded EITC raised their take-home pay by nearly \$1,300.) This means that single parents working full-time with two kids can now raise their families out of poverty. However, as costs continue to rise,

some of these families will fall back below the poverty line in the next few years. The new proposed increase in the minimum wage is therefore important to sustain the gains we have already made.

Financial Modernization: With your approval, Treasury Secretary Rubin sent a letter on Monday (3/16) opposing the House Republican Leadership's draft of H.R. 10 -- the legislation designed to remove inappropriate barriers to integration among banking, insurance and securities firms -- describing the "profound deficiencies" in this draft. On Tuesday (3/17), Federal Reserve Chairman Alan Greenspan endorsed the bill, as expected. House Leadership would like to move the bill through the rules Committee to the floor before the April recess. Speculation continues that the Leadership will attach credit union legislation to the bill as it moves forward. The NEC will work with the Treasury Department and other White House Offices to prepare more detailed comments and work with Democratic members.

Credit Unions: There is a strong lobbying effort underway to change the Supreme Court decision, in late February, reversing a long-standing NCUA interpretation concerning the extent to which credit union membership must be based on a "common bond." Credit Unions seek to legislate the prior NCUA interpretation requiring that members only have a common bond with some of the other members, while banks want to use this opportunity to subject large credit unions to the same taxation and regulatory treatment as they are. Treasury has testified before the House Banking Committee (3/11) and will appear before the Senate Banking Committee next week. We are offering a series of balanced principles to guide policy, not any specific proposals. The NEC is working with Treasury on an options memo for you on specific recommendations to ensure that credit unions are given greater flexibility but still retain some element of commonality among members.

Child Labor: The NEC/NSC is convening a policy process to develop a legislative proposal to authorize the President to take appropriate action in response to persistent, exploitative child labor practices. This proposal is intended to address Rep. Chris Smith's bill requiring automatic sanctions against any country whose laws did not prohibit child labor (defined such that the US and UK would be sanctioned countries). The White House policy offices and departments are agreed that: (1) the Administration cannot support any such automatic sanctions bill; (2) we should not cede ownership of the issue to Rep. Smith when your record on Child Labor is so strong; and (3) the proposal should be timed carefully not to undermine our opposition to the Wolf-Specter bill on religious persecution, another automatic sanctions bill.

The NEC is also working on a strategy to promote your Child Labor budget proposals on the Hill in the face of skepticism that IPEC (the International Programme for the Elimination of Child Labour) has the capacity to absorb the 10-fold increase in funding you proposed (from \$3 to \$30 million) to fund their country-based programs to end the most intolerable forms of child labor. The strategy includes: (1) demonstrating how IPEC's parent organization (the ILO) and the Labor Department can enhance IPEC's capacity; and (2) framing the \$30 million investment as small in relation to the size of the problem.

Equal Pay: According to the Bureau of Labor Statistics, the typical female worker earns 75 percent of the typical male worker's earnings. The Vice President is tentatively scheduled to do an event on April 3rd to mark "Equal Pay Day" -- the day on which women's earnings, added to their previous year's earnings, equal what men earn in one calendar year. An NEC/DPC working group has been putting together a package of initiatives that could be announced at the event. One of the items is an expression of support for Senator Daschle's bill on this issue, which includes proposals to strengthen enforcement and collect more data. Although we are concerned about a couple of provisions, Senator Daschle's staff has indicated to us that they are willing to revise their bill to obtain our support. Representative Gephardt is preparing to introduce a bill identical to Senator Daschle's, and is also looking to work with us.

Budget Resolution: The Senate Budget Committee passed a party-line budget resolution this week. Democrats on the Committee, with the exception of Feingold and Hollings, offered an alternative based on our budget. Republicans opposed Democratic efforts to add our child care and class initiatives. We will continue to work with Democrats to press this children/education message as the resolution moves to the Senate floor. What has received less attention is that Republicans also rejected Democratic efforts to channel tobacco funds to NIH, smoking cessation, and to help tobacco farmers. This opposition represents a very weak link in their position and we will focus on it.

H-1B Visas: As you know, the NEC and DPC are jointly developing a package that would emphasize training and the protection of U.S. workers, but would also include a temporary increase in the number of H-1B visas for foreign workers for high-skilled jobs. Senator Kennedy is expected to introduce a bill next week that includes each of the components that we care about, although the training piece is not as strong as we would like it. We are working with Kennedy's staff and drafting a statement for you that would signal our plans to respond to both the short-and long-term issues.

International Economics Principals Meeting: I convened a meeting of the international economics principals to discuss priority initiatives and themes for 98, which is especially important against the backdrop of the fast track decision and the Asian financial crisis. We identified the key issues that need to be decided over the next few weeks, including our negotiating objectives for a possible US-EU trade initiative (discussed in greater detail below). We discussed the desirability of using the upcoming 50th anniversary of the WTO as an opportunity for you to lay out your vision of the WTO and the future of the world trading system. On the other hand, scheduling constraints may preclude your participation (coming at the end of your European trip). Finally, we focused on the importance of developing initiatives to preempt Congressional and industry pressures for protectionism that will likely arise from the trade implications of the Asian financial crisis.

Meeting with Sir Leon Brittan: I met with Sir Leon Brittan, Vice President of the European Commission, to discuss prospects for the launch of a U.S.-EU trade initiative at the summit in May. There may be some potential to remove some barriers of interest to the United States (e.g., e-commerce, product specifications), but it remains unclear that we will be able to make any

progress on sensitive issues in either country (agriculture and audio visual in the EU; the Jones act and Buy America for us). Noting that Chirac has expressed serious reservations about proceeding with this initiative, Sir Leon suggested that a clearer expression of interest from you will help to coalesce EU sentiment in favor of such an initiative (moving Kohl and Prodi to join Blair and the Nordics in support). We will discuss with NSC and USTR what future action is most appropriate.

Meetings with Japanese and Australians on Indonesia: I had meetings with Australian Foreign Minister Downer and Central Bank Governor MacFarlane to discuss Australia's view of Indonesia's impasse with the IMF on its stabilization program. Separately, Japanese Ambassador Saito briefed me on Hashimoto's meetings with Soeharto. Both the Australians and the Japanese had similar messages: they believe Indonesia must implement the basic monetary, fiscal and financial reforms agreed with the IMF but we and the IMF must allow flexibility in implementation of the structural reforms, in particular by allowing continued operation of the food distribution monopoly, Bulog, and of food and fuel subsidies. As you know, Secretary Rubin and your other economic advisers believe implementation of many of the structural reforms will be a key test for market confidence. We will need to work hard to maintain unity with the Germans, the Australians and the Japanese over the next few weeks as negotiations between the IMF and the Indonesians proceed.



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

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March 20, 1998

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MEMORANDUM FOR THE PRESIDENT

CC: ERSKINE BOWLES
FROM: KATHLEEN A. MCGINTY
SUBJECT: CEQ WEEKLY REPORT

MVT for KAM

PROTECTING COMMUNITIES FROM TOXICS

Outreach to Agriculture

At the request of Congressmen Charles Stenholm (D-TX), Marion Berry (D-AR) and other Democrats on the House and Senate Agriculture Committees, I have been engaged in a sustained outreach campaign to agriculture constituencies. Secretary Glickman and Administrator Browner also are undertaking a similar effort. This outreach process began in the context of the clean water initiative that you announced in February, which has been well-received in the agriculture community because it couples new standards with significant increases in USDA assistance to farmers who are implementing measures to reduce polluted runoff. (Note, however, that the Domenici budget resolution would eliminate these increases.)

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These groups are highly anxious about EPA's changes in pesticide regulation as EPA implements the Food Quality Protection Act, which was enacted at the close of the 104th Congress with strong bipartisan support. CEQ is working with EPA and USDA to ensure that any approach ensures a smooth transition and the full participation of affected agriculture sectors. I delivered that message today in two speeches -- one to the National Cattleman's Beef Association, the other to the Farm Journal Forum -- and it was very much welcomed and well received.

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RESOURCE STEWARDSHIP

Supplemental Appropriations for FY98

The Senate supplemental appropriations bill as reported out of committee includes two unrelated, anti-environment provisions as riders. It is possible that other anti-environment riders (including roads-through-refuges and weakening of coastal barrier island protection laws) will be offered as floor amendments when the bill is considered as early as next week.

The House bill may be marked up next week. Early indications are that the leadership will try to keep the bill free of unrelated riders but may not be successful in doing so.

It will be important for the Administration to send early, strong signals that we oppose the practice of adding such riders and will be highly critical of the Republicans for holding up disaster and other relief bills in this way. Doing this early in the process may avoid our having to make difficult choices later about signing a bill with unpalatable riders. In this regard, we are working with OMB on statements to go to the House and Senate early next week. Your public statements to this effect when opportunities present themselves will also be very effective. ✓

Specific items now in the Senate bill include a provision sponsored by Senator Pete Domenici (R-NM) but opposed by the new Democratic mayor of Albuquerque that would remove acreage from the Petroglyph National Monument in New Mexico to allow for construction of a four- to six-lane highway. The highway would bisect the Monument in order to facilitate commuting into Albuquerque from the suburbs. The Park Service opposes this action and has testified in the past that Secretary Babbitt would recommend a veto of the free-standing bill that has been introduced for this purpose. In addition to the adverse effect on the Monument, this is a dangerous precedent in that it substitutes legislative conclusions for informed decisions by park officials about how best to handle the competing demands on the resources in the Monument. This effort is strongly opposed in Indian country as well, as sacred sites apparently would be destroyed.

Another rider introduced by Senator Larry Craig (R-Idaho) would seriously undermine the proposal Forest Service Chief Dombeck has recently made to temporarily suspend new road building in certain areas of national forests and to develop a long-range plan to address the \$10 billion maintenance backlog and environmental damage caused by the current road system. Among other things, the rider would require substitute timber sales for any timber sales that were or may be scheduled, regardless of whether any company has a particular right to a sale. In short, this is back to the future. The furor over this rider will be like that caused by the 1995 supplemental appropriations timber rider. Failure to reverse this rider would undermine the Forest Service's effort -- long overdue -- to change direction on the national forests and, like the earlier rider, politically would be a disaster for us. I cannot urge strongly enough that we articulate that these riders are veto bait. ✓

Hackensack Meadowlands

A *New York Times* article on Monday mentioned CEQ's work for the past six months to resolve a 10-year impasse on a comprehensive plan for development and preservation in an area encompassing more than 8000 acres of wetlands in the New Jersey's Hackensack Meadowlands. Federal, state, and local agencies have been trying to complete a plan that will provide for a modest amount of development and a system for tradeable development rights that will ensure protection of the wetlands that remain. Disputes on how much development to allow have been brought to a head over a proposal for a major shopping mall complex.

✓ A *New York Times* editorial is likely to appear in the next several days advocating more preservation and opposing the mall development. We expect this editorial to be positive on the White House's effort in this process.

SUSTAINABLE COMMUNITIES

Brownfields Showcase Communities

On Tuesday the Vice President announced the selection of the first 16 Brownfields Showcase Communities. The selected communities -- chosen from 231 applicants -- will receive a total of \$28 million in targeted assistance from federal agencies acting in concert. Each community effort will serve as a model for future efforts to clean up and revitalize brownfields. These communities are the centerpiece of the Administration's Brownfields National Partnership, which focuses the resources of more than 15 federal agencies to collaborate and address redevelopment issues.

The first Showcase Communities include: Baltimore, MD; Chicago, IL; Dallas, TX; East Palo Alto, CA; Eastward Ho! (Southeast FL); Glen Cove, NY; Kansas City, KS and MO; Los Angeles, CA; Lowell, MA; Portland, OR; The State of Rhode Island; St. Paul, MN; Salt Lake City, UT; Seattle, WA; Stamford, CT; and Trenton, NJ.

The Vice President made the announcement on a conference call with the selected community mayors and their invited press. The announcement received significant local media coverage.

INTERNATIONAL LEADERSHIP

Protection of Northern Right Whales

Following extensive scientific study, NOAA proposes to seek International Maritime Organization ship reporting requirements by April 8 for two areas off the east coast used by northern right whales for calving and feeding. The reporting requirement would essentially mandate that all vessels over 300 gross tons report to a shore-based authority when entering one of the two right whale areas. Ships would then be provided with essential information about the right whale, recent sighting results, and monitoring capabilities.

The Department of Defense objects to the NOAA proposal because, since this is the first time the International Maritime Organization would create such requirements for a single species of whale, it will set new precedents that could affect U.S. navigational freedoms worldwide. Defense also has raised questions of cost-benefit analyses and International Maritime Organization authority. CEQ is coordinating with NOAA, the Director of the Marine Mammal Commission and Defense in an attempt to find agreement on this issue. There is strong interest in this on the Hill as Northeast delegation members have complained that, since their commercial fishermen will operate under the requirements and more, the Navy should too. The right whale's continued existence is very seriously endangered.

OTHER

NEPA Oversight Hearing

On Wednesday I testified at a National Environmental Policy Act (NEPA) oversight hearing before the House Resources Committee. Most of the comments that I received from Western Republicans reflected their general opposition to our natural resource agenda, including the Administration's timber policies, the creation of the Grand Staircase-Escalante National Monument, and the American Heritage Rivers initiative. Young, Chenoweth, Cubin, Pombo et. al were in rare form. Overall, a very good time had by all!

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT'S OFFICE
3-22-98

March 20, 1998

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

CRIME/DRUGS: The School Violence report received very good coverage on the news and on the wires. CBS and NBC ran a story on the report with a sound bite from the President and followed up the report with another piece on school uniforms. ABC ran a small reader.

The Assault Weapon report from ATF is now complete. The final decision is for Bob Rubin to ok the report and send it on to the President. ATF and Justice are recommending that all five weapons be barred from importation. We need to decide whether the President should announce this while in Africa or upon his return.

EDUCATION: The President's remarks at the AFL-CIO were right on target from a policy, political, and legislative perspective. The Hill Democrats viewed it as the President engaging in our issues and setting up a good fight. We need to continue the message that the GOP is declaring war on our schools and children. This fight will come to a point in September when the Labor bill is on the floor.

On Tuesday the PTA is in town and John and I discussed the idea of having Frank Raines and Secretary Riley address the national PTA on our budget. This should be the same day that the GOP votes on a series of amendments offered by the Democrats.

TOBACCO: On Monday, while the President is in Africa, the Vice President is releasing state by state numbers on how many people will die prematurely from smoking. The Hill Democrats are organizing an event to coincide with the release. Dr. Satcher will join the Vice President during his statement.

We need to meet with Senator Daschle and coordinate our tobacco strategy and how to approach the commerce committee's work. We need to get a bill out before recess. It is essential to our over-all strategy.

AFRICA: I am concerned about the President's trip to Africa. I believe that much of the support

the President has received during this investigation generates from independent and swing voters. My concern is over the possibility that the President's trip to Africa will suggest a lack of focus on the issues important to the American people. I feel the trip is off message. I understand that traveling with Jesse Jackson and the CBC is a positive, but I caution against focusing on their concerns to the distraction of the concerns of the American public as a whole. Those traveling with the President have a responsibility to bring message discipline to the trip and traveling party.

3-22-98

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THE WHITE HOUSE
WASHINGTON

March 20, 1998

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MEMORANDUM FOR THE PRESIDENT

FROM: LARRY STEIN *gm m 395*

SUBJECT: WEEKLY LEGISLATIVE REPORT

House of Representatives

1. **Bosnia:** On Wednesday, March 18, the House defeated (193-225) H.Con.Res. 227, Campbell's (R-CA) resolution directing you to remove our troops from Bosnia pursuant to the War Powers Act. Had the measure passed both chambers, supporters of the bill aimed to have the Supreme Court rule on the constitutionality of the War Powers Act.
2. **State Department Authorization:** On Wednesday, March 18, and Thursday, March 19, the Republican Leadership pulled from the floor H.R. 1757, the State Department Authorization Conference Report. The legislation, previously pulled Thursday, March 12, lacks support from Democrats and moderate Republicans who oppose the gag rule on international family planning, and from conservative Republicans who take issue with the authorization of funding for UN arrears. The Leadership will likely try to bring the measure to the floor next week.

The Week Ahead

The week of March 23, in addition to possible consideration of the State Department Authorization, the House will consider the Thomas (R-CA) campaign finance bill. The legislation, which faces opposition from both the left and the right, prohibits the use of union member funds for political activities without written permission, bans soft money contributions to national parties, allows for INS and SSA checks on voters, and increases contribution limits for individuals. Shays (R-CT) and Meehan (D-MA) may offer an amendment similar to the McCain-Feingold bill recently defeated in the Senate. If amendments are prohibited under a closed rule, the Democratic Leadership will likely offer a motion to recommit with similar McCain-Feingold language.

Next week in committee, the House transportation bill, BESTEA, will come before both Transportation and Ways and Means. The IMF supplemental, which includes UN arrears, will be marked up Tuesday, March 24, in the Appropriations Committee.

Senate

1. **Nominations:** On Monday March 16, Judge Messiah-Jackson withdrew her name from consideration to be a Federal Judge in Philadelphia. In her letter asking to withdraw her nomination, she praised you for standing by her throughout this difficult nomination process.
2. **Tobacco:** Chairman Jeffords (R-VT) abruptly canceled further markup of his tobacco legislation in the Senate Labor Committee after a contentious debate over how to implement the public health aspects of the settlement. No new date has been set for the committee to resume the markup.
3. **NATO Enlargement:** The Senate began debate on Tuesday, March 17 and continued sporadically throughout the week. The measure is likely to be brought back to the Senate floor, pending consideration of other legislation, and an agreement concerning democratic amendments to the education IRA bill.

There are two problematic amendments which may require calls from principals--these are the Ashcroft (R-MO) amendment, which would prohibit funding for peacekeeping purposes, and the Warner (R-VA) amendment, which mandates a three year pause in the enlargement process.

4. **Education IRA's:** The Senate continued debate on the Coverdell (R-GA) IRA bill with Democrats demanding the right to offer amendments protecting your priorities which include school construction. No agreement has been reached with Senator Lott (R-MS) about how to proceed. Senator Daschle (D-SD) is holding the Democratic Caucus together on voting against cloture, arguing that Democrats must be allowed to offer their amendments. On Thursday, Democrats succeeded on a party line vote in blocking cloture 55-44.

The Week Ahead

The Senate is expected to turn to the Emergency Supplemental Appropriations bill. On Tuesday a second cloture vote is expected on the Coverdell Education IRA bill. Senators Jeffords and Kennedy (D-MA) are trying to clear the G.I. Workforce bill for consideration for the week ahead. You are sending a letter strongly endorsing the measure. Senator Coverdell is also seeking time to debate a Mexico decertification resolution cosponsored by Senator Feinstein. However, it is more likely that this debate will take place the following week.

cc: Vice President
Erskine Bowles
John Podesta
Sylvia Mathews

3-22-98
THE WHITE HOUSE
WASHINGTON

March 20, 1998

MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

FROM: MARIA ECHAVESTE

SUBJECT: OPL WEEKLY REPORT - March 13- March 20

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Page 1 -
Original to
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ACTIONS SUPPORTING PRESIDENTIAL INITIATIVES

TOBACCO

- **Asian Americans and the tobacco legislation.** Our Asian American health contacts are getting involved in tobacco legislation. They emphasize that they want minority health initiatives institutionalized. In order to do this, they think that money should go to the Office of Minority Health, NIH, and other agencies along with a reinvigorated commitment to holding them accountable for minority health initiatives. They are not in favor of the foundation proposal.

SENIOR CITIZEN OUTREACH

- **Social Security.** In addition to your radio address on Social Security on Saturday morning, we are working with NEC on your participation via satellite to Pew's Town Hall Teleconference on Social Security.

CONSTITUENT OUTREACH AND OTHER ISSUES

RELIGIOUS OUTREACH

- **Religious Persecution.** Wolf/Spector may be marked up in full committee on March 25. If the most recent draft passes, State and NSC would strongly advise you to veto. Representative Gejdenson may offer an amendment, which would force Congress to vote to impose sanctions, country by country. While if passed, this would be helpful, a veto would still be recommended.

VETERAN OUTREACH

Jones departs Veterans Affairs. Bob Jones has been selected to be the Deputy Assistant Secretary of Defense for POW/MIA Affairs. Bob does Veterans Outreach for OPL. We will be meeting with Herschel Gober regarding Bob's replacement.

American Legion in DC. The American Legion will begin its mid winter conference in

DAN BURKHARDT

please coordinate the
reply.

Bob Jones
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Washington, DC next week. They will discuss a variety of issues related to national defense veterans affairs and national security.

NONPROFIT OUTREACH

- **Reauthorization of National Service.** We organized a well attended stakeholder meeting to enlist support for the reauthorization of the National and Community Service Act. Speakers included Harris Wofford and Nick Bollman, our outside validator. Stakeholders present plan to rally the support of their local affiliates and private-sector partners in their home districts.

WOMEN'S OFFICE OUTREACH

- **Leadership America.** The Women's Office hosted 135 women participating in Leadership America, Inc. This program recruits top women from around the country to join a one year networking/leadership training program. With assistance from the Women's Office they began Wednesday with ten "At the Tables" hosted by senior Administration women (from across the government), and concluded with a panel presentation by senior White House women about the challenges and obstacles they faced to get to where they are today professionally.
- **Women's Magazines' Editors-in-Chief.** The Women's Office hosted 32 editors-in-chief of national women's magazines for, "An Afternoon with the Administration." Participants were briefed on the Administrations initiatives as well Pensions and Social Security, your Race Initiative, International Women's initiatives and Tobacco and Child Care. The First Lady also talked about the Millenium Project. Each editor also visited one of six cabinets (DoD, DoE, HHS, DoL, GSA and SBA) to hear from Cabinet Secretaries on priority initiatives and accomplishments. Their response and commitment to produce stories on many of these initiatives was very positive.

ETHNIC OUTREACH

- **St. Patrick's Day Activity.** The Irish community enjoyed the many festivities surrounding St. Patrick's Day. They commended you for your strong words regarding the cease fire negotiations and are hopeful that a substantive agreement can still occur. They feel this can be achieved only through your continued leadership on this issue.
- **Ancestry questions on the census.** Many ethnic groups participated in lobby day on the hill regarding the ancestry question on the census. The ethnic community feels very strongly that ethnicity and heritage should be documented in the census. They feel the meetings with Congress were extremely productive and they plan to highlight this issue with Members while they are home during the recess.

AIDS

- **AIDS Council needle exchange resolution highly critical.** The Administration's HIV/AIDS Advisory Panel unanimously passed a strongly-worded "no confidence" resolution on the government's AIDS prevention strategy, saying that HHS's failure to certify the use of federal funds for local needle exchange programs was costing lives, especially in minority communities, and was without scientific foundation.

cc:	Erskine Bowles	Rahm Emanuel
	Craig Smith	Michael McCurry
	Doug Sosnik	Gene Sperling
	Sylvia Mathews	Thurgood Marshall, Jr.
	Sid Blumenthal	John Podesta
	Bruce N. Reed	Laurence Stein
	Mickey Ibarra	Ron Klain
	Ann Lewis	Susan Liss
	First Lady	Mrs. Gore

3-22-98

Tab J
98 MAR 21 11:52

THE WHITE HOUSE
WASHINGTON

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March 21, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: ANN LEWIS

SUBJECT: COMMUNICATIONS WEEKLY REPORT

- Domestic Message Schedule
We worked with the Vice President's office, Cabinet Affairs and the policy shops to develop a schedule of daily events/announcements to highlight your domestic agenda while you are traveling in Africa.
- Commencement Options
We are finalizing a commencement options memorandum that recommends to you address topics and locations.
- Women Magazine Editors Briefing
We worked with the Women's Office to develop the program and themes for the briefing held this week. I briefed the editors on your 1998 agenda. The response from the editors to the invitation, and to the day itself has been very positive.
- Women's History Commission
I have been working closely with Marsha Scott and others on appointments to your Women's History Commission. This week I met with Liz Robbins and Barbara Goldsmith, author of the acclaimed new book, Other Powers. She is very interested in working with us to develop this project.
- Africa Trip Web Site
Deputy Secretary Mallett launched our Africa Trip web site that will make your journey through Africa immediately accessible to all Americans via the Internet. By the end of your trip, the site will provide users with hundreds of pages of information, including: daily reports from the road, digital photographs from the White House photographers, all of your public remarks, all trip press briefings, and comprehensive background materials on the countries being visited, the issues being addressed, and our agencies currently partnering with African nations. The site also contains a special educational component -- "Follow the President" -- designed to assist teachers and parents help children understand geographic, social and cultural aspects of the trip. subscribers.
- Margaret E. Amidon Elementary School
While preparing for your trip, we discovered that Amidon, a local public elementary school in South West DC, is sending two dozen 6th graders to Dakar, Senegal. (Dakar is Washington,

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DC's sister city.) Since November, students, teachers and parents have held fund raisers, sold candy and solicited private sources for funds to earn enough money to ensure that every student who wants to can go on the trip. Coincidentally, the students from Amidon were scheduled to arrive in Dakar on April 3, one day after your departure. We worked with the school to move their itinerary and secure funding to make it possible for the class to arrive in time to meet you at Goree Island for your final event in Africa.

• President's Initiative on Race

To help more communities engage in your dialogue on race, we helped PIR develop a guide to holding successful dialogues in their communities.



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

3-22-98

Tab m

March 20, 1998

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98 MAR 20 PM 5:48

MEMORANDUM FOR THE PRESIDENT

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

DECISION PENDING ON RUSSIAN ROLE IN INTERNATIONAL SPACE STATION

During last week's Gore-Chernomyrdin meeting, Prime Minister Chernomyrdin committed to provide \$20M of the \$80M needed to keep the Russian Service Module on schedule for a December 1998 launch. The Service Module provides a critical "reboost" capability to keep the Space Station in orbit. The Prime Minister stated that the remaining \$60M would be provided to the Russian Space Agency by the end of April. NASA is extremely concerned that funding may be delayed and that the Service Module will not be ready for launch in December. If that were to happen, the schedule and cost of the whole project would be adversely affected. In late April, NASA and the Russian Space Agency will conduct a comprehensive design review. The design review will be the basis for a decision by the Space Station partners in May on whether to manifest the Russian Service Module for launch or, instead, replace the Russian element with a U.S. built Interim Control Module. The Interim Control Module is a unit we started building last year as a hedge against the possibility of Russian delays. We are working closely with OVP, OMB and NASA to resolve this situation.

GOP BUDGET RESOLUTION SHORTCHANGES KEY COMPONENTS OF S&T INVESTMENTS; CLIMATE CHANGE INITIATIVE WAVED OFF

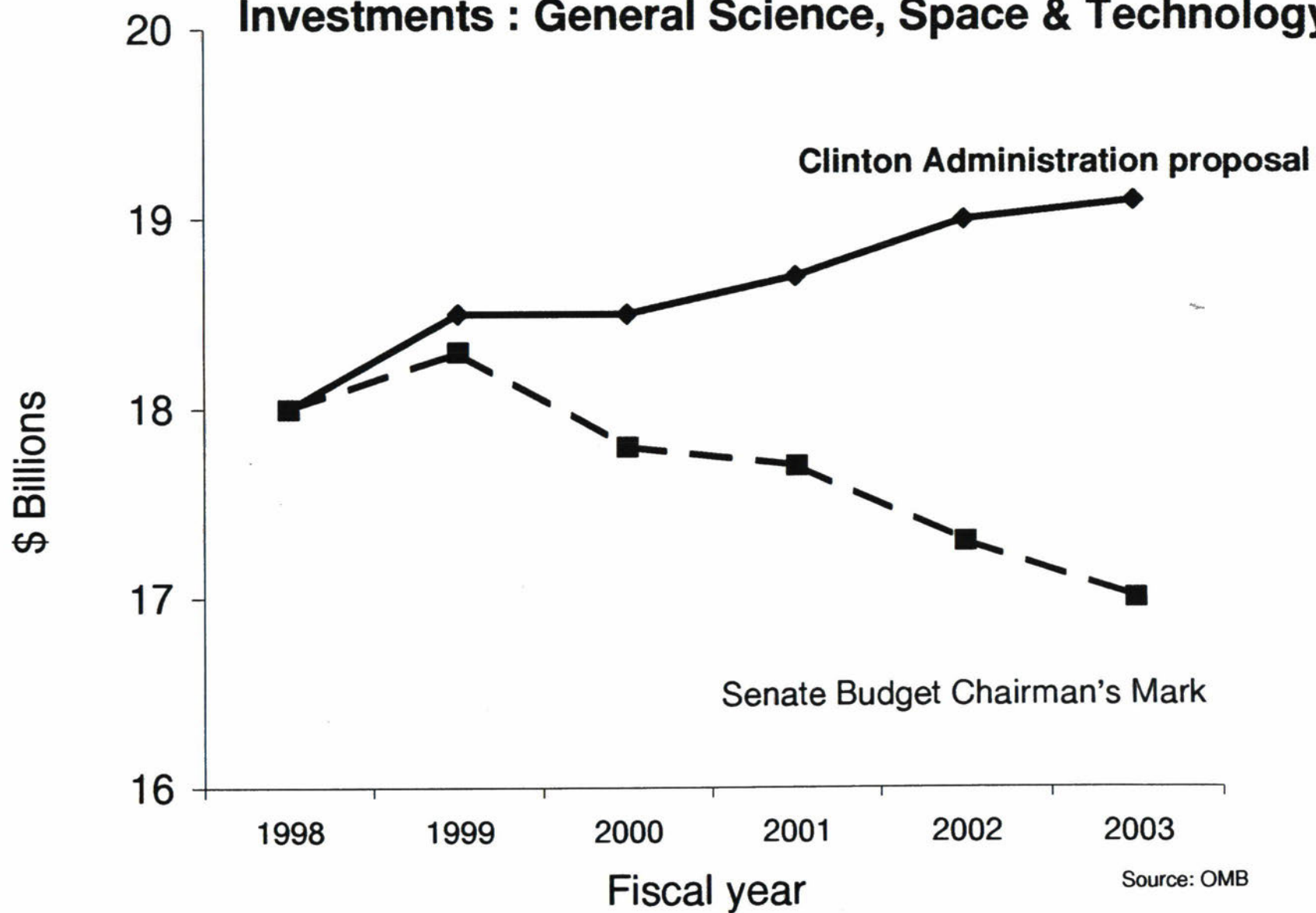
Last Wednesday, the Senate Budget Committee passed a budget plan reversing your call for increased investments in the years ahead in science and technology. (See attached graph showing GOP cutting key portions of your S&T request by 1% in FY99 and by 11% in 2003). The Committee also ignored your Climate Change Technology Initiative that requests \$474 million in additional funding for next year (\$2.7 billion over five years) to spur research on advanced technologies leading to higher energy efficiency and reduced carbon emissions from the four most carbon intense sectors of the economy: buildings, industry, transportation, and electricity. Such actions fly in the face of the majority of experts who argue that it will be vastly more expensive in the long run if we do not take steps now to develop new technologies to curb carbon emissions.

The Republican budget proposal also slashed your request for energy efficiency R&D by \$50 million, solar and renewable energy by \$117 million, and carbon sequestration by \$42 million.

The Committee's rationale for these actions was that funding for such programs would be "premature" because neither a climate change treaty nor a plan to implement the agreed-upon reductions have been submitted to the Senate.

We are stepping up our efforts to make the case in diverse forums for your S&T budget. On March 17th Neal Lane, Harold Varmus, T.J. Glauthier and I briefed 100 of the top S&T representatives and lobbyists from around the country, urging them to mobilize their membership to contact their Congressional representatives during this upcoming lengthy recess. Later that day, Neal Lane and I met with a dozen members of the New Democratic Coalition, co-chaired by Congressmen Cal Dooley (CA), Jim Moran (VA), and Tim Roemer (IN). The Coalition showed strong interest in working with us to enact your increases in R&D spending. Dr. John Holdren, author of your PCAST Energy Report, continues to meet with members of Congress.

Investments : General Science, Space & Technology



STROM THURMOND
United States Senate
WASHINGTON, DC 20510-4001

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THE PRESIDENT HAS SEEN
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COMMITTEES
ARMED SERVICES, CHAIRMAN
JUDICIARY
VETERANS' AFFAIRS

United States Senate

WASHINGTON, DC 20510-4001

March 20, 1998

THE PRESIDENT HAS SEEN
3-20-98

President William J. Clinton
The White House
1600 Pennsylvania Avenue, Northwest
Washington, District of Columbia 20500

Dear Mr. President:

3-20-98
After you have
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reply - c.

I am writing concerning a matter of great interest to me and one that potentially effects the health of millions of Americans.

As you may already be aware, Secretary Rubin and I are in disagreement regarding a change to wine labeling regulations that the Bureau of Alcohol, Tobacco & Firearms is proposing at the whim of the wine industry. More specifically, this change would allow information on labels that would suggest there is a health benefit associated with alcohol. This proposal, and the Treasury Department's seeming willingness to enact it, causes me great concern.

My objections to this change are extremely strong and based on a number of considerations, not the least of which is that permitting this change would be tantamount to getting the federal government into the business of marketing wine. Furthermore, I am deeply concerned that allowing language on labels that imply the health benefits of consuming alcohol are greater than the risks might encourage people to begin drinking, or drinking in great quantities than they already do.

Mr. President, your commitment to working to promote health among Americans and to protect our children against harmful products is commendable. I am certain that if you were to review the correspondence and materials I have collected in the last nine months, you would agree with me that the proposal currently being considered by Secretary Rubin and the Treasury Department should be abandoned immediately.

Thank you for your attention and interest in this matter and I hope you will urge Secretary Rubin to cease his consideration of this proposal.

With kindest regards and best wishes,

Respectfully,

Strom Thurmond
Strom Thurmond

ST/jd

*Your support will
benefit the children of America,*

3-22-98

THE WHITE HOUSE
WASHINGTON

March 21, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: PHIL CAPLAN *PC*
SEAN MALONEY *SM*

SUBJECT: Recent Information Items

We are forwarding the following recent information items:

OK

(A) **Berger Memo on Russian Genetic Engineering of Anthrax** -- responds to your inquiry concerning recent press reports of Russian scientists' developing a new, vaccine-resistant Anthrax; Russians have done two experiments: one, to develop a more effective Anthrax vaccine by altering it with genes from a related organism; the other, to test the vaccine against an enhanced, more virulent strain of Anthrax created by altering it with the same genes used to enhance the vaccine; results indicated that while the standard vaccine did not protect against the enhanced Anthrax, the enhanced vaccine did; though both experiments can be justified scientifically, Army experts are concerned about the offensive biological weapons potential of all this; the Russians' work, which was openly published, does not appear to be part of a secret weapons program, and we have requested a sample of the new strain to test its resistance to the U.S. vaccine.

Munt

(B) **Ruff/Chirwa Update on USDA Discrimination Claims** -- updates you on two issues: (1) OLC's opinion under the Equal Credit Opportunity Act's statute of limitations (*i.e.*, that the Act prevents the government from providing compensatory damages to time-barred farmers/claimants) was formally transmitted to USDA this week; in anticipation, USDA drafted corrective legislation, and Erskine raised the issue personally with Speaker Gingrich, who seemed receptive; Leg. Affairs is working on a bi-partisan introduction for the bill (perhaps by Reps. Eva Clayton and J.C. Watts), and is consulting closely with Reps. Clayton and Maxine Waters, who appear satisfied with our efforts; (2) Federal Court Mediation -- DOJ submitted 8 cases of individuals involved in the on-going class action lawsuit to mediation and proposed generous settlement offers for each; process has stalled, however, because plaintiffs' attorneys are insisting on a large lump sum payment for the larger class of farmers that sued.

OK

(C) **USDA/Civil Rights Update from Sec. Glickman** -- recently marked the one-year anniversary of USDA's sweeping civil rights initiatives; attaches USDA's one-year progress report (*on file in our office*); also updates you on the following issues: USDA settled the discrimination cases of Eddie Ross and Gary Grant, discussed in your December meeting with farmers; the Department has resolved about 20% of program discrimination complaints and about 50% of employee complaints from one year ago;

Tab A - Berger / COS w/ pg 1 of cover

Tab B - Ruff/Chirwa / COS w/ pg 1 of cover

Tab F - Original to Walker / COS w/ pg 2+3 of cover

USDA has drafted legislation to replace a 1996 farm bill provision, which bars farmers from receiving credit if they have previously received a write-down of a USDA loan, with a more-sensible, "three strikes rule;" John Sparks, formerly with the NSC, has joined USDA as Sec. Glickman's special assistant for civil rights.

(D)

Report on Welfare-to-Work Tour from Sec. Herman with Reed Cover Note -- Sec. Herman provides a detailed summary of her ten-city tour; highlights: welfare reform is firmly taking root; the strong economy, common sense reforms and local innovations are improving people's lives; former aid recipients must not be stigmatized; the term "new worker" is being adopted in DOL's programs and public education efforts; Eli Segal's WTW Partnership is making great in-roads, but businesses are still unaware of tax advantages of hiring new workers; transportation, child care and housing continue to be obstacles to new workers' staying employed; must ensure that the new emphasis on work does not force new workers to forgo education and training needed for permanent self-sufficiency; possible "next steps" should include: enhancing coordination between agencies; greater travel by Cabinet heads and State and local leaders; greater engagement with community-based and faith-based organizations; and a possible "Opportunity Summit" to bring together Governors, Cabinet heads and others to focus on cementing WTW progress; *Sec. Herman includes a detailed Appendix describing her visits and other DOL WTW promotional material, which we have on file in our office.*

(E)

Phoenix Race Board Meeting Report from Dr. Franklin -- Advisory Board met for two days, on January 13-14, focusing on race in the workplace; visited local sites to view "promising practices" and convened a panel discussion with experts and a community forum with residents; members were struck by the strong commitment, pride and energy that young people bring to racial issues; were reminded of the importance of effective job and career training; were impressed by the powerful role of the media in creating racial perceptions and biases that affect workplace opportunities; held meetings with tribal government officials from the Southwest region, which highlighted how confusion, misconceptions and a lack of respect for tribes as governmental entities negatively impacts their accessing private investment and credit, Janet Yellen contributed very useful information on race and the labor market; *Dr. Franklin makes several policy proposals in his report; we will work with Sylvia and Judy to see that the issues are examined and that an appropriate reply is prepared.*

(F)

Cong'l Correspondence forwarded by Janet Murguia -- (1) **Note from Rep. Fazio --** thanks you for your invitation to play golf; would have been there in "a heartbeat" if he'd had his clubs; asks you to "try him again;" he's got a great new driver ready for a workout; (2) **Note from Sen. Moynihan --** forwards a Sid Blumenthal/*New Yorker* article from four years ago on plans to build a new Penn. Station; says it seems we are really going to get this done; would not have happened without your generous efforts; John Podesta and Bob Peck are "national treasures;" (3) **Note from Sen. Kennedy --** thanks you for a spectacular weekend at Camp David; says he still has exceedingly warm memories of the times he spent there with his brother nearly 40 years ago; congratulates you on all you're doing for Ireland and thanks you for your warm words about Jean at the

Send to Walker
to prepare reply

✓ White House party last Tuesday; enjoyed your comments on Daniel Webster and encloses Webster's 1826 joint eulogy of Jefferson and Adams.

We have also received the following item:

- ✓ **Note from Sec. Cohen** -- says he and Janet were honored to be included in your Camp David weekend; they enjoyed the surroundings, fellowship and the film; your thoughtfulness in asking them to join you meant a lot; wishes you the best for a successful Africa trip.

3-22-98

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THE WHITE HOUSE

WASHINGTON

'98 MAR 16 PM 12:14

March 16, 1998

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER 

SUBJECT: Russian Genetic Engineering of Anthrax

You asked about a recent press report (Tab A) indicating that Russian scientists have developed a new type of anthrax that may be resistant to the anthrax vaccine which will be given to U.S. troops. According to U.S. Army experts, who have corresponded with the Russians involved, the Russians have done two types of anthrax experiments. First, they have inserted two genes from a related organism, known as bacillus cereus, into the Russian anthrax vaccine to determine whether it is possible to develop a more effective vaccine against traditional anthrax strains. The results showed a "slight enhancement" of the original vaccine. The second experiment involved inserting the two bacillus cereus genes into fully virulent anthrax to develop, and then test the vaccine resistance of, a "wild" type of anthrax that might exist naturally. The results indicated that the original Russian vaccine did not protect against this new strain, but that the genetically engineered vaccine was effective.

Although U.S. Army experts believe that both experiments can be justified on scientific grounds, they are concerned about the offensive biological weapons (BW) potential of the second experiment, which involved the use of genetic engineering to develop a new type of anthrax strain. The Russian work was conducted at Obolensk, which did work on bacterial agents under the former Soviet BW program. That said, the Russians openly published the results of their work in the British journal Vaccine (see Tab B), a step which is not consistent with secret work on biological weapons.

Army experts also are concerned about whether the new anthrax strain developed by the Russians can defeat the U.S. anthrax vaccine. The most efficient way of answering this question is by obtaining a sample of the new strain and testing it against the U.S. vaccine. Fortunately, as part of our effort to redirect former Russian BW scientists to peaceful purposes, the

cc: Vice President
Chief of Staff

U.S. already has approved a collaborative project on anthrax involving U.S. Army researchers and scientists at Obolensk. We have asked the Russians to provide us with a sample of the new strain as part of this project.

Army experts caution that, even if the new strain is resistant to the U.S. vaccine, it does not mean that the Russians have developed a new anthrax weapon. Much additional work would need to be done, for example, to determine the stability of the new strain, both in storage and during actual use. We have no information at this time that the Russian work has extended to these and other important military-related questions.

Attachments

Tab A Press Report

Tab B Vaccine Journal Article

TAB A

U.S. Army wary of Russia's mutant anthrax

BY DEB RIECHMANN
THE ASSOCIATED PRESS

WASHINGTON — U.S. scientists want a sample of a new form of anthrax developed in Russia that may be able to elude the vaccine shots American troops will soon get.

The organism — the first known genetically engineered biological warfare threat — is an altered form of anthrax, a disease that nor-

mally afflicts animals like cattle and sheep, but can cause severe illness and death in people who inhale large doses.

"This is a Trojan horse," said Col. Arthur Friedlander, chief of

the Bacteriology Division at the Army Medical Research Institute of Infectious Diseases in Frederick, Md. "This is coming in as anthrax, but it's got other bullets in it — different bullets."

He said the Defense Department is working through diplomatic and other channels to get the Russians to share this new organism and other naturally occurring strains of anthrax with U.S. ex-

perts in the field. Friedlander and other biological warfare experts are confident that the American vaccine, based on a protein called protective antigen, can protect troops against any anthrax strain that relies on the protein to facilitate damage to white blood cells.

They're more uneasy about the Russian organism, which contains

See ANTHRAX, Page 12A

access to U.N. weapons inspectors looking for evidence of biological and chemical weapons has led to America's latest showdown with Iraq.

Parker said Army scientists had no knowledge that Iraq had also developed the new organism.

The Washington Post reported Thursday that Russia may have sold a fermentation tank to Iraq that could be used for either brewing animal feed or lethal germs for war use. But Russia's Interfax news agency said the Russian Foreign Ministry denied that Russia concluded any agreements with Iraq or delivered any equipment.

Paul Jackson, a molecular biologist who has done research on the genetics of anthrax at Los Alamos National Laboratory in New Mexico, said the Russian research paper gives details for making the new organism using standard methods of molecular biology.

"The Russians have demonstrated that they can do it," Jackson said. "Clearly, any competent laboratory in the world could do this, too."

It's unclear, though, whether the Russian researchers developed the new organism for offensive or defensive purposes. The Russian Federation is a signatory to the 1972 Biological Weapons Convention, banning the development, production and stockpiling of biological and toxin weapons.

The treaty has no provisions for enforcement, but the U.N. secretary-general has the authority to investigate complaints of violations. The last time the secretary-general investigated an alleged infraction was in the late 1960s when Iran complained that Iraq was using chemical weapons, according to the U.N. Department for Disarmament Affairs in New York.

Matthew Meselson, a professor in Harvard University's Molecular and Cellular Biology Department, hopes the Russian researchers will share the new organism with U.S. scientists.

"If you wanted to keep it secret, you certainly would not have published it," said Meselson, a member of a National Academy of Sciences committee working to foster cooperation between American and Russian scientists who work on infectious diseases, including ones that could be used in biological weapons. "When scientists work together, they share things. It depends, of course, on us being equally forthcoming."

Anthrax

• Continued from Page 1A

two non-anthrax genes that change the organism and may alter the way it causes disease. If that's the case, it's conceivable that the current American vaccine might not be effective, Friedlander said.

"We need to get hold of this strain to test it against our vaccine," Friedlander said. "We need to understand how this new organism causes disease and we need to test it in animals other than hamsters that the Russians used."

The American vaccine, widely used by textile mill and livestock workers and veterinarians since the Food and Drug Administration licensed it in 1970, was given to about 150,000 troops during the 1991 Persian Gulf War. No inoculation program was initiated for troops now deployed in the gulf in the latest dispute with Iraq, said Rick Sonntag, a spokesman for the Army Medical Command at Fort Sam Houston, Texas.

But the Defense Department plans to begin administering the U.S. anthrax vaccine this summer to about 100,000 troops deployed to high-risk areas of southwest and northeast Asia. Eventually, all 2.4 million U.S. military personnel are to be inoculated.

The new anthrax organism was developed at the State Research Center for Applied Microbiology in Obolensk, Russia. The research was formally published in December 1997 in the British scientific journal *Vaccine*.

Development of a new strain through genetic engineering is something that biological warfare experts around the world have feared since the advent of such technology in the late 1970s and early 1980s.

"Ever since the dawn of the age of genetic engineering, there's always been a speculation that somebody could always make designer bugs," said Col. Gerald Parker, commander of the institute at Fort Detrick.

But he cautioned: "It's one thing to do this in the lab, but it's a whole different thing to produce it in large quantities to be used as a weapon. That would be very difficult."

At least 10 countries, including Iraq, are believed to have the capacity to load weapons with dry, powdered anthrax. Iraqi President Saddam Hussein's decision to block

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TAB B

Expression of cereolysin AB genes in *Bacillus anthracis* vaccine strain ensures protection against experimental hemolytic anthrax infection

A.P. Pomerantsev*, N.A. Staritsin, Yu.V. Mockov and L.I. Marinin

The cereolysin AB genes from *Bacillus cereus* VKM-B164 have been expressed in *Bacillus anthracis* strains: virulent H-7 (PXO1, PXO2), vaccine STI-1 (PXO1), 221 (without its own plasmids). Expression was achieved by cloning the genes in a high copy number plasmid pE194. This construct was integrated with host genomes in amplified form. Gold hamsters were vaccinated with parental and recombinant *B. anthracis* STI-1 and 221 strains and challenged with virulent ones subcutaneously. Gold hamsters vaccinated with 221 strains showed absence of protection. STI-1 immunisation protected against the H-7 strain, but did not protect against the recombinant strain. STI-1 recombinant strain protected gold hamsters against the H-7 as well as the recombinant H-7 strains. The results describe the modulation of immunopathogenic properties of *B. anthracis* due to expression of cereolysin AB genes. © 1997 Elsevier Science Ltd.

Keywords: *Bacillus anthracis*; modulation of immunopathogenicity; *Bacillus cereus*

Bacillus anthracis is a pathogenic agent causing serious infection. Two main pathogenicity factors – poly-D-glutamic acid capsule and tripartite toxin – are determined by genes localised on plasmids of 60 (PXO2) and 110 Mda (PXO1), and they are the main contributors to the virulence of this pathogen^{1,2}. Along with this, the search is on for new possible virulence factors, genes of which may have chromosome and plasmid localisation. The S-layer whose gene is localised on the chromosome, a Type I topoisomerase, encoded by the gene localised on PXO1, surface proteins EA1 and EA2, and extracellular protease with chromosome localisation of their genes, have been studied as virulence factors by different authors³⁻⁵. Much less attention has been paid to the *B. anthracis* ability to induce lysis of erythrocytes. Until recently, it was considered that the absence of hemolysis as well as the resistance to penicillin and sensitivity to specific phages are the main features differentiating *B. anthracis* cells from other bacilli, especially *B. cereus*. In addition, data concerning hemolysis by *B. anthracis* and *B. cereus* strains on media containing 5% sheep or guinea pig blood showed that *B. cereus* caused hemolysis, and *B. anthracis* did not⁶. However, recent

research has showed that erythrocytes washed five times with phosphate-buffered saline containing calcium and magnesium in the presence of 1/100 volume of 0.2 M stock of dithiothreitol before addition to blood agar were lysed by all strains of *B. anthracis*, including virulent, vaccine, and plasmid-free strains⁶. The same effect was observed using the diffusion method in bilayer agar with erythrocytes of sheep, human, rat and, to a lesser extent, rabbit and guinea pig, washed in the presence of calcium ions.

It is known that the hemolytic properties of *B. cereus* are determined by the production of secreted phospholipases (PC-PLC)-phospholipase C₁ (SM-PLC)-sphingomyelinase and phosphatidylinositol-phospholipase C₂. It is believed that the phospholipases of *B. cereus*, as opposed to phospholipases of *C. perfringens*, do not possess toxigenic properties⁷. For the realisation of the hemolytic properties of *B. cereus*, it is sufficient to exhibit PC-PLC and SM-PLC activities (cereolysin AB), whose genes are localised tandemly in the *B. cereus* chromosome and essentially characterised for strains GP-4 and VKM-B164^{10,11}. The use of cereolysin genes A and B as probes for fingerprinting of *B. anthracis*, *B. cereus*, *B. mycoides* and *B. thuringiensis* strains by means of DNA-DNA hybridisation revealed homology in all genomes investigated with cereolysin genes¹². Differences in the functional activities of hemolysins of *B. anthracis* and *B. cereus*, encoded by the same sequence, can be explained by

State Research Centre for Applied Microbiology, Obolensk, Moscow Region 142279, Russia. *To whom correspondence should be addressed. (Received 19 May 1997; accepted 23 May 1997)

peculiarities of their synthesis regulation or by the structures of enzymes or their cofactors. From the population of cells of *B. anthracis* vaccine strain STI-1, colonies with lecithinase activity were isolated which differed in their morphology. Generations of cultures were stable in their microbiological properties on media and after spore formation. Immunogenic properties were ten times higher than for the standard vaccine STI-1¹³. In contrast, characterisation of its commercial anthrax vaccines revealed hemolytic properties in one of them, and this vaccine did not protect against a virulent anthrax strain¹⁴. Modulation of the immunogenic properties of *B. anthracis* vaccine strains in connection with hemolytic characteristics determined the scope of this investigation. To obtain *B. anthracis* strains with stable expression of *D. cereus* hemolysin, and to evaluate their immunopathogenic characteristics.

MATERIALS AND METHODS

Strains and plasmids

B. cereus strain VKM-B164 was used as a source of cereolysin genes. Plasmid pHR 3, which inherited the PC-PLC and SM-PLC tandemly localised genes in PUC18, was kindly given by A.Yu. Tomashevski and N.P. Kusmin (IBPM, Pushino, Moscow Region). The pE194 plasmid was used as a vector for insertion of cereolysin genes into bacilli. Construction of the pOB12 plasmid which inherited the cereolysin AB genes in pE194 is shown in Figure 1, and plasmids and strains used in this work in Table 1. All strains were constructed on the basis of *B. subtilis* 168, and anthrax strains on the basis of STI-1, H-7, and 221 (*B. anthracis* strain without plasmids)¹⁵.

Media and cultivation of bacteria

B. subtilis and *B. anthracis* strains were cultivated at 37°C in equal conditions on media containing 10 g l⁻¹ tryptone, 5 g l⁻¹ yeast extract, 10 g l⁻¹ sodium chloride, pH 7.4. In order to solidify media, 10 g l⁻¹ Bacto agar was included in liquid media. If necessary, media contained erythromycin at 10 mcg ml⁻¹ and lecithin at 0.2–0.4%. Lecithinase activity was tested according to the appearance on plates of a halo, which was formed by colonies on lecithinase plates or by supernatants of liquid cultures, by introducing them into wells in agarose containing 0.4% lecithin and incubating at room temperature for 12–14 h. Phenotypic properties

of toxin, capsule, and hemolysis of recombinant strains of *B. anthracis* were determined on media containing antitoxin antibodies, sodium bicarbonate and serum, and 5% sheep blood⁶. Hemolytic activity of supernatants was determined in wells in blood agar. Spores were obtained on Hottinger media with 0.5 g l⁻¹ NH₄-nitrogen for 4–5 days at 32°C, and stored in 30% glycerol before use in immunopathogenic experiments. The spore concentration was evaluated in a hemocytometer.

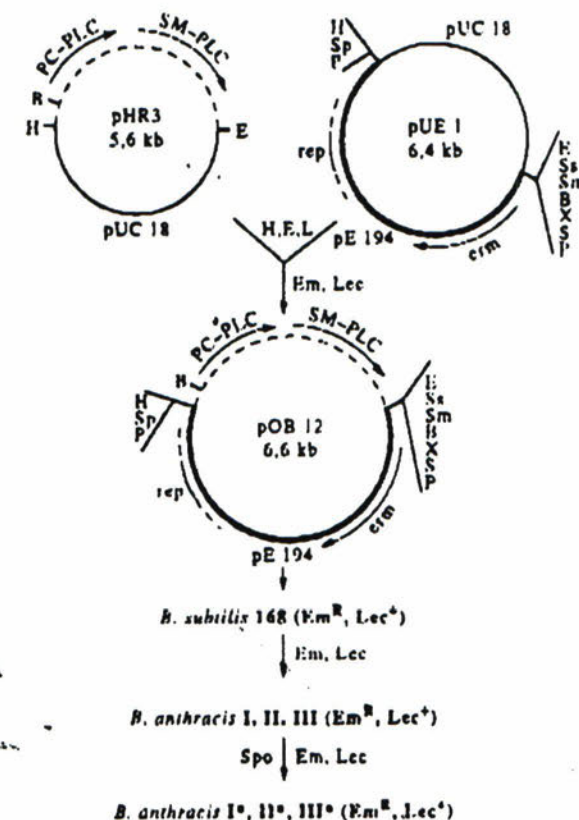


Figure 1 Scheme of constructing *B. subtilis* and *B. anthracis* strains inheriting recombinant pOB12 plasmid. PC-PLC, SM-PLC: *D. cereus* phosphatidylcholine phospholipase C and sphingomyelinase genes. rep, erm: replication region and erythromycin resistance gene of pE194 plasmid. Em, Lec: transformants selected on plates containing erythromycin and lecithin. Spo: vegetative cells-spores-vegetative cells cycle. U: BamHI; E: EcoRI; H: HindIII; P: PstI; S: Sall; Sm: SmaI; So: SstI; X: XbaI; L: ligase of phage T4. Other symbols: see explanation in the text

Table 1 Strains and plasmids

Strains	Plasmids	Plasmids genotype	Strains phenotype
<i>B. subtilis</i> 168	pE194 pUC1 pOB12	erm bla ₂ , erm erm, pc-plc, sm-plc	Em ^R Em ^R Fm ^R , Lec ⁺ , Hly ⁺
<i>B. anthracis</i> H 7	pXO1, pXO2	tox, cap	Spo ⁺ , Tox ⁺ , Cap ⁺
STI-1	pXO1	tox	Spo ⁺ , Tox ⁺
221	...	...	Spo ⁺
I (I ⁺)	pXO1, pXO2 pOB12	tox, cap, erm pc-plc, sm-plc	Spo ⁺ , Tox ⁺ , Cap ⁺ Em ^R , Lec ⁺ , Hly ⁺
II (II ⁺)	pXO1, pOB12	tox, erm, pc-plc sm-plc	Spo ⁺ , Tox ⁺ Em ^R , Lec ⁺ , Hly ⁺
III (III ⁺)	pOB12	erm, pc-plc, sm-plc	Spo ⁺ , Fm ^R , Lec ⁺ , Hly ⁺

*Plasmid pOB12 is integrated with genome of *B. anthracis*

Modulation of *Bacillus anthracis* immunopathogenicity: A.P. Pomerantsev et al.

Isolation and manipulations with DNA

Isolation and purification of plasmid and chromosomal DNA and construction of recombinant plasmids were carried out according to Pomerantsev and Staritsin¹⁵. DNA-DNA hybridisation experiments were performed by Southern blotting under stringent conditions¹⁶.

Transformation procedures

DNA-transformation of *B. subtilis* was performed by the protoplasting method¹⁷. Introduction of DNA into *B. anthracis* ST1-1 and 221 strains was carried out by electroporation (10% glycerol, 1.5 Kv, 20 μ sec). *B. anthracis* H-7 virulent cells were transformed according to Pomerantsev and Staritsin¹⁵.

Experiments with animals

Inbred white mice (18–20 g) and gold hamsters (100–150 g) were used for estimation of *B. anthracis* strain virulence. Subcutaneous (s.c.) injected doses were used (1×10^6 spores) for mice and (1×10^4 spores) for gold hamsters. LD₅₀ values were calculated.

Gold hamsters (30 animals in each group) were immunised (s.c.) with 5×10^7 spores each of *B. anthracis* 221, ST1-1, II', and III' strains. Animals were challenged (s.c.) by *B. anthracis* H-7 or I' strains after 2 weeks with doses ($1, 10, 10^2, 10^3$, or 10^4 spores). The LD₅₀ values were calculated after 10 days for each group of animals. Non-immunised gold hamsters were used as a virulence control and for estimation of LD₅₀ values. The immune index values were calculated as a ratio of LD₅₀ for immunised to LD₅₀ for non-immunised animals.

RESULTS

Several hundred Em⁺Lec⁺ clones were obtained as a result of pOB12 plasmid electroporation of the ST1-1 and 221 strains. In groups of six, clones of ST1-1 (pOB12) and 221 (pOB12) were selected according to the maximal halo appearing around growing colonies on a solid medium with lecithin. The cells of these clones were sporulated, and the residual virulence of each was determined in mice. The mean LD₅₀ (spores) values for ST1-1 (pOB12) and 221 (pOB12) groups were calculated as $(5.7 \pm 5.2) \times 10^5$ and $(10.8 \pm 4.3) \times 10^7$ in comparison with 1.0×10^5 and 1.3×10^6 for parental strains. Clones ST1-1 (pOB12) with residual virulence 1.0×10^5 and 221 (pOB12) with LD₅₀ value 1.0×10^6 designated as II' and III' were chosen for immunisation experiments.

After three germination/sporulation cycles, 12 clones retaining Em⁺Lec⁺ phenotype were selected out of 84 transformants H-7 (pOB12). The LD₅₀ (spore) values of these clones varied very much in contrast to ST1-1 (pOB12) and 221 (pOB12) transformants. Four clones demonstrated virulence similar to the parental H-7 strain, with an LD₅₀ value of 5 ± 3 spores. The mean LD₅₀ of the next four clones was calculated as $(6 \pm 5) \times 10^3$, three clones had an LD₅₀ of $(9 \pm 3) \times 10^4$ and the remaining clone was avirulent, with an LD₅₀ of $> 10^6$ spores. Clones possessing the virulence of the parental strain formed not less than 99% smooth

colonies by growing on serum-bicarbonate agar plates. This value was in accordance with the H-7 strain also. The avirulent clone formed rough colonies only, and the two other groups demonstrated from 20 to 80% smooth colonies without correlation to LD₅₀ values. One of the H-7 (pOB12) transformants with maximal virulence designated as I' was selected as a challenging strain.

A comparison of hemolytic and lecithinase activities of culture supernatants from transformants and initial strains, grown in liquid medium with erythromycin, is shown in Figure 2.

An absence of extrachromosomal pOB12 plasmid was detected in *B. anthracis* I', II', and III' strains, after both alkaline lysis and isopycnic centrifugation methods of plasmid isolation, although genotype characteristics of pOB12 plasmids were phenotypically expressed in these strains (hemolysis and erythromycin resistance). Electrophoresis profiles of pOB12 plasmid digested with *Bam*HI and *Pst*I, and chromosomal DNA of *B. anthracis* III' undigested and restricted with *Pst*I, are presented in Figure 3. The absence of CCC, OC or LC plasmid pOB12 DNA in strain *B. anthracis* III' is confirmed in Figure 3B (Slot 2). Nevertheless, two major DNA bands were found among the rest on the electrophoregram of *Pst*I-digested chromosomal DNA of *B. anthracis* III' strain Figure 3B (Slot 3). Electrophoretic mobilities of the major fragments were similar to those of *Pst*I-digested pOB12 plasmid.

Hybridisation analysis of *Pst*I fragments of chromosomal DNA of *B. anthracis* III' by means of pHR3 and

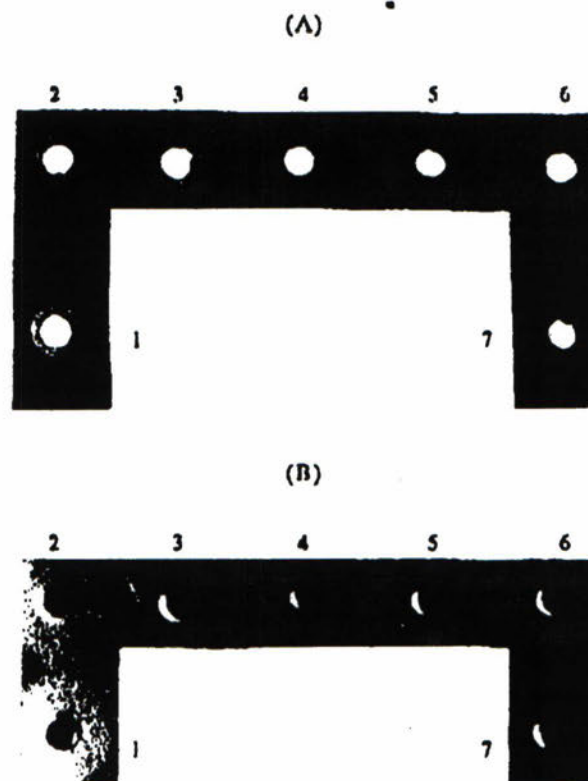


Figure 2 Hemolytic (A) and lecithinase (B) activities of *B. cereus* and *B. anthracis* strains. 1: *B. anthracis* I'; 2: *B. anthracis* II'; 3: *B. anthracis* III'; 4: *B. anthracis* H-7; 5: *B. cereus* VKM U104; 6: *B. anthracis* ST1-1; 7: *B. anthracis* 221

pOB12 plasmid probes revealed that the lower of the major fragments corresponded to *pc-plc* and *sm-plc* genes of the pHR3 plasmid, and the upper one belonged to the pE194 plasmid. The appearance of major fragments on the electrophoregram of the digests indicates that more than one copy of the plasmid pOB12 resides in the chromosome. This may be caused by amplification of integrated plasmid in the *B. anthracis* genome.

Immunopathogenic characteristics of *B. anthracis* strains are shown in Table 2. The virulence of *B. anthracis* I⁺ strain was one-half that of the parent H-7 strain (non-immunised gold hamsters). In contrast, protection with *B. anthracis* II⁺ was 1.4 times higher

Table 2 Immunopathogenic characteristics of *B. anthracis* strains (gold hamsters)

Immunisation	Challenge	LD ₅₀ (spores)	Immune index
II ⁺	H-7	1400 ± 300	200
II ⁺	I ⁺	3800 ± 500	300
STI-1	H-7	1000 ± 300	140
STI-1	I ⁺	17 ± 5	1
221	H-7	5 ± 3	1
221	I ⁺	11 ± 4	1
III ⁺	H-7	5 ± 4	1
III ⁺	I ⁺	15 ± 8	1
Non-immunised	H-7	7 ± 5	—
Non-immunised	I ⁺	13 ± 6	—

than with STI-1 after challenge with the H-7 strain. The most remarkable result of this study was the absence of the protective effect of STI-1 immunisation after challenge of gold hamsters with *B. anthracis* I⁺ strain, although *B. anthracis* II⁺ have provided protection of animals against *B. anthracis* I⁺. (The immunity index of *B. anthracis* II⁺ was 300 times higher in comparison with that of *B. anthracis* STI-1.)

DISCUSSION

In the identification of *B. anthracis*, primary tests such as the lack of penicillin resistance and hemolysis have been used in order to aid the differentiation of *B. anthracis* from *B. cereus*. However, there have been occasional reports of penicillin-resistant strains of *B. anthracis*; therefore the use of penicillin as the first-choice antibiotic for the treatment of anthrax is not now recommended¹⁸. ~~Nothing is known of the homology of the penicillinase gene of *B. cereus* with *B. anthracis* DNA.~~

These experiments were conducted with cereolysin AB genes. Homology between these genes and chromosomal DNA of the *B. anthracis* STI-1 strain has been reported¹². ~~The existence of shared DNA sequences could allow the insertion of cereolysin AB genes into the genome of *B. anthracis*.~~ Use of the vector system based on the pE194 plasmid replicon¹⁵ made the work possible to achieve. Integration and amplification (or multiple integration in different genome sites) of pOB12 plasmid into the genomes of three *B. anthracis* strains were found: with pXO1 and pXO2 plasmids - I⁺; with pXO1 plasmid - II⁺; and without pXO1 and pXO2 - III⁺. It seems more likely that multiple integration of the pOB12 plasmid into different genome sites of *B. anthracis* I⁺ occurred because a large range of values was observed with the virulence and capsule-forming characteristics among clones of H-7 (pOB12). Apparently, the role of the pXO2 plasmid is significant in this process, since the STI-1 and 221 strains do not have the pXO2 plasmid. The apparent preference for insertion of the modified version of transposon Tn917 introduced into *B. anthracis* cells within the pLTV1 plasmid has been reported¹⁹. As plasmids pLTV1 and pOB12 have the same origin of replication, it can be proposed that this area plays a specific role in the integration of the plasmids (or their path) into the genome of *B. anthracis*. Nevertheless, clones of H-7 (pOB12), which retained the virulence and capsule-forming features of the parental H-7 strain, most likely inherited the cereo-

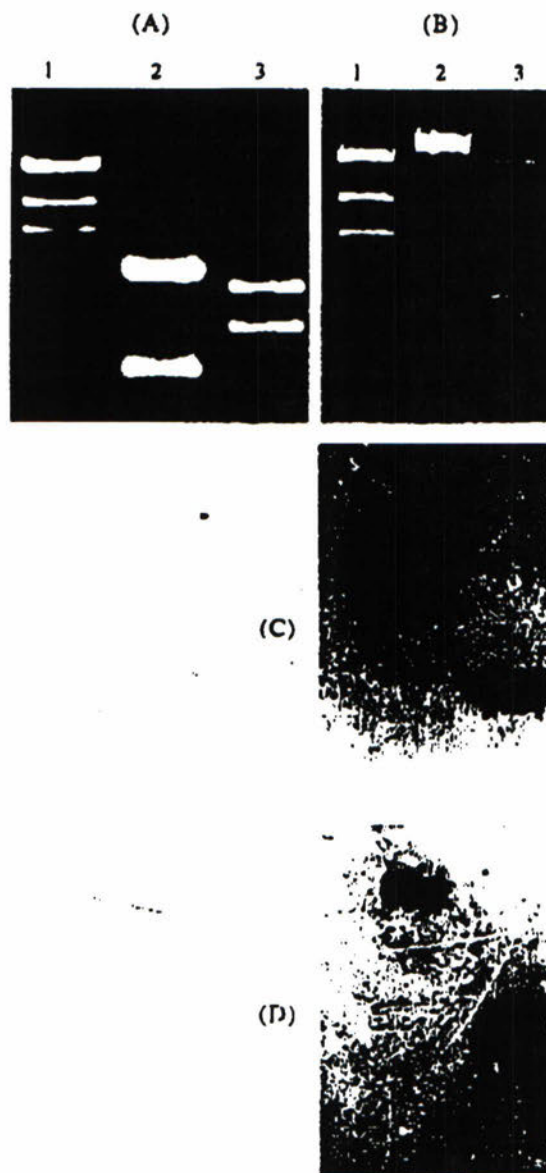


Figure 3 Hybridisation analysis of presence of pOB12 plasmid in chromosomal DNA of *B. anthracis* III⁺. (A) Restriction profile of: 1. λ phage DNA, HindIII; 2. pOB12 plasmid, BamHI; 3. pOB12 plasmid, PstI. (B) Electrophoresis and Southern blots (C, D) of: 1. λ phage DNA, HindIII; 2. undigested *B. anthracis* III⁺ DNA; 3. PstI-digested *B. anthracis* III⁺ DNA. (C) Plasmid pHR3 probe; (D) plasmid pOB12 probe. Molecular weight markers of λ phage DNA, HindIII (1) from top to bottom: 23.1; 9.4; 6.6; 4.4; 2.3; 2.0 kb

lysin AB genes in homologous areas on the genome of *B. anthracis*. This location of the *pe-ple* and *sm-ple* genes also seems more likely in *B. anthracis* STI-1 (pOB12) and 221 (pOB12).

We cannot as yet explain precisely the phenomenon of the STI-1 failure to protect against *B. anthracis* I challenge. Intracellular parasites such as *Rickettsia*, *Shigella*, *Trypanosoma cruzi* and *Listeria monocytogenes* possess hemolytic activity associated with the ability to enter the host cytoplasm. The cloning of the structural gene for the *L. monocytogenes* hemolysin into an asporogenic mutant of *Bacillus subtilis* resulted in conversion of a common soil bacterium into a parasite that can grow in the cytoplasm of a mammalian cell²⁰. According to this model an acquisition of hemolytic properties by *B. anthracis* strains can allow them to escape host immunity by means of penetrating host cells. The data presented in this study confirm the statement "that the evolutionary leap from an extracellular existence to an intracellular lifestyle may only require the acquisition of a limited number of genes"²¹.

Fortunately, immunisation of gold hamsters by *B. anthracis* II⁺ protected animals against *B. anthracis* I challenge effectively (to the maximal value of the immune index). This fact allows us to assume that the appearance of any new factor of pathogenicity in a known virulent strain can be neutralised by means of cloning of the factor gene(s) in the corresponding vaccine strain for subsequent immunisation.

ACKNOWLEDGEMENTS

The authors are grateful to W. Goebel, Biozentrum, Würzburg for advice. T.B. Kravchenko provided help with the determination of lecithinase and hemolysis activities. N.A. Shishkova and L.V. Borovkova assisted with laboratory work.

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Tab 13

3-22-98

THE WHITE HOUSE
WASHINGTON

March 18, 1998

98 MAR 18 AM 11:45

MEMORANDUM FOR THE PRESIDENT

FROM: CHARLES F.C. RUFF 
DAWN CHIRWA 

SUBJECT: Update on African-American Farmers Discrimination Claims

We write to provide a brief update on two issues pertaining to African-American farmers' claims of lending discrimination by the Department of Agriculture: (1) the status of the OLC opinion regarding the statute of limitations issue which affects many of the farmers' claims; and (2) the ongoing mediation of a group of farmers' claims in federal district court.

OLC Opinion

By the end of this week the Department of Justice will transmit the opinion of the Office of Legal Counsel analyzing the effect of the Equal Credit Opportunity Act's statute of limitations provision on particular farmers' claims. As we have detailed previously, the opinion concludes that the statute does prevent the government -- whether through the administrative review process at USDA or pursuant to a settlement negotiated by DOJ -- from providing compensatory damages to farmers who failed to preserve their lending discrimination claims by filing suit in federal court in a timely fashion. The opinion does continue to leave open the possibility that certain farmers whose claims are time-barred may obtain damages under equitable remedies -- such as equitable tolling or equitable estoppel -- if the facts of their particular cases warrant such a remedy.

In order to address the concerns raised by African-American farmers groups and the CBC over the conclusions reached by OLC, the WH group working on this issue has taken the following steps:

- USDA has drafted legislation which would remedy the harsh results created by the statute of limitations for victims of lending discrimination by the agency. The legislation would establish an administrative process at USDA to review claims of lending discrimination and would allow USDA to fashion remedies for victims of such discrimination notwithstanding the statute of limitations.
- Erskine Bowles spoke personally with Speaker Gingrich concerning the compelling need for the legislation. The Speaker appeared receptive; we have provided his office with a copy of the legislation and Legislative Affairs is

working with his office to try to lay the groundwork for a bi-partisan introduction of the legislation. (For example, one option would have Rep. Clayton co-sponsor the legislation with Rep. J.C. Watts.)

- While we are working on a legislative fix, our office is also working with DOJ and USDA to determine whether there are farmers who may be able to benefit from the equitable remedies that are not barred by the statute of limitations.
- Rep. Eva Clayton and Rep. Maxine Waters had both requested copies of the OLC opinion. DOJ intends to transmit a copy of the opinion to them as soon as it is sent to Secretary Glickman. In addition, we have kept in regular contact with their offices to address their questions and concerns. At present, both Members appear satisfied with the efforts we are taking to address their concerns.

Federal Court Mediation

The court-appointed mediator has expressed satisfaction with the government's cooperation with the mediation process. (For the initial round of mediation, DOJ submitted the cases of eight individual farmers and proposed generous settlement offers for the cases -- averaging in the hundreds of thousands of dollars per case.) Unfortunately, the mediation process has stalled because the plaintiffs' attorneys have resisted negotiating the cases, insisting that the government offer a large lump sum payment to the entire group of farmers represented in the lawsuit. Plaintiffs' attorneys have taken this position despite the fact that they agreed previously, in writing, that they would mediate cases individually and despite the fact that not every farmer has a colorable claim of lending discrimination.

The District Court judge overseeing the case is currently holding a series of status conferences with the parties in an attempt to revive the mediation process. In the interim, the judge has set a briefing schedule to rule on the various legal issues in the case, including the statute of limitations issue and on class certification. Rulings on these issues could occur as early as next month. While DOJ expects that the government will prevail on the statute of limitations dispute, it is possible, although highly unlikely, that the plaintiffs could win on this issue. In that eventuality, DOJ could take the opportunity to reassess the remedies available to farmers with time-barred claims.

As always, we will provide further updates as events unfold.

3-22-98

USDA has drafted legislation to replace a 1996 farm bill provision, which bars farmers from receiving credit if they have previously received a write-down of a USDA loan, with a more-sensible, "three strikes rule;" John Sparks, formerly with the NSC, has joined USDA as Sec. Glickman's special assistant for civil rights.

(D)

Report on Welfare-to-Work Tour from Sec. Herman with Reed Cover Note -- Sec. Herman provides a detailed summary of her ten-city tour; highlights: welfare reform is firmly taking root; the strong economy, common sense reforms and local innovations are improving people's lives; former aid recipients must not be stigmatized; the term "new worker" is being adopted in DOL's programs and public education efforts; Eli Segal's WTW Partnership is making great in-roads, but businesses are still unaware of tax advantages of hiring new workers; transportation, child care and housing continue to be obstacles to new workers' staying employed; must ensure that the new emphasis on work does not force new workers to forgo education and training needed for permanent self-sufficiency; possible "next steps" should include: enhancing coordination between agencies; greater travel by Cabinet heads and State and local leaders; greater engagement with community-based and faith-based organizations; and a possible "Opportunity Summit" to bring together Governors, Cabinet heads and others to focus on cementing WTW progress; *Sec. Herman includes a detailed Appendix describing her visits and other DOL WTW promotional material, which we have on file in our office.*

(E)

Phoenix Race Board Meeting Report from Dr. Franklin -- Advisory Board met for two days, on January 13-14, focusing on race in the workplace; visited local sites to view "promising practices" and convened a panel discussion with experts and a community forum with residents; members were struck by the strong commitment, pride and energy that young people bring to racial issues; were reminded of the importance of effective job and career training; were impressed by the powerful role of the media in creating racial perceptions and biases that affect workplace opportunities; held meetings with tribal government officials from the Southwest region, which highlighted how confusion, misconceptions and a lack of respect for tribes as governmental entities negatively impacts their accessing private investment and credit, Janet Yellen contributed very useful information on race and the labor market; *Dr. Franklin makes several policy proposals in his report; we will work with Sylvia and Judy to see that the issues are examined and that an appropriate reply is prepared.*

(F)

Cong'l Correspondence forwarded by Janet Murguia -- (1) **Note from Rep. Fazio** -- Thanks you for your invitation to play golf; would have been there in "a heartbeat" if he'd had his clubs; asks you to "try him again;" he's got a great new driver ready for a workout; (2) **Note from Sen. Moynihan** -- forwards a Sid Blumenthal/*New Yorker* article from four years ago on plans to build a new Penn. Station; says it seems we are really going to get this done; would not have happened without your generous efforts; John Podesta and Bob Peck are "national treasures;" (3) **Note from Sen. Kennedy** -- thanks you for a spectacular weekend at Camp David; says he still has exceedingly warm memories of the times he spent there with his brother nearly 40 years ago; congratulates you on all you're doing for Ireland and thanks you for your warm words about Jean at the

Send to Walker
to prepare reply

✓ White House party last Tuesday; enjoyed your comments on Daniel Webster and encloses Webster's 1826 joint eulogy of Jefferson and Adams.

We have also received the following item:

- ✓ **Note from Sec. Cohen** -- says he and Janet were honored to be included in your Camp David weekend; they enjoyed the surroundings, fellowship and the film; your thoughtfulness in asking them to join you meant a lot; wishes you the best for a successful Africa trip.

THE WHITE HOUSE

WASHINGTON

March 19, 1998

3-22-98

98 MAR 19 2 07:06

original Walker
copied
COS

MEMORANDUM FOR THE PRESIDENT

FROM:

JANET MURGUIA *JM*

SUBJECT:

CONGRESSIONAL CORRESPONDENCE

Attached for your review are letters from the following Members of Congress and Senators that I thought you would like to see:

1. Rep. Vic Fazio (D-CA)
2. Sen. Patrick Moynihan (D-NY)
3. Sen. Edward Kennedy (D-MA)

98 MAR 11 AM 7:56



VIC FAZIO
MEMBER OF CONGRESS
THIRD DISTRICT, CALIFORNIA

Dear Mr. President —

Thanks for yesterday's
invitation to join you at
Army-Navy. If I had
my clubs (I not had a
lunch I'd cancelled twice)

I would have been there
in a heartbeat — with
my rain slicker on. Try
me again. I've got a great
new driver ready for a workout
Vic

Daniel Patrick Moynihan
New York

United States Senate
Washington, D. C.

March 10, 1998

Dear Mr. President:

Just four years ago, Sidney Blumenthal and the late Brendan Gill wrote short pieces for *The New Yorker* on our plans to build a new Pennsylvania Station. Sid recalled my optimism at the time. Mind, it took time!

But now, it seems we are really going to get this done. It would not have happened, could not have happened, without your most generous and extraordinary effort. John Podesta and Bob Peck are national treasures. New York City will once again have a world-class train station and we will have you to thank for it.

Respectfully,

A handwritten signature, likely of Daniel Patrick Moynihan, consisting of a large, stylized loop with a small vertical stroke at the top left.

The President
The White House
Washington, D.C. 20500

Enclosure

the surgery. As he went, he laughed again and repeated the famous Monty Python litany, "And now for something completely different—sawing logs. Ah, zzzzz! Ah, zzzzz! Ah, zzzzz!"

Indiana turned to Koestler. "What is with that guy?"

"Don't mind Jules. He's a jolly good fellow. You'll grow to love him. And he won't remember a thing about tonight. Blackout drunk, this—presumably. I might not remember any of it, either."

From the distance, an elephant blared, a big cat roared, the hyenas began their freakishly human wailing, and the whole cacophony of jungle sounds took over the night.

WAS it a minute or an hour later that Babbitt hopped on Hartman's empty chair and seemed to beseech the cardplayers to deal him in? The men had drifted off into their separate thoughts. Babbitt grabbed the bottle of Canadian Mist from the card table and, brandishing sharp canine teeth that shone like ivory in the glow of the Coleman lanterns, caused both the young doctors to duck to the floor before he quickly sprang off into the black jungle. Even Koestler hit the deck, wrenching his knee. When he got up, he brushed himself off and said, "That settles it, I'm getting myself a dog."

"Christ, that's one mean son of a bitch!" said Chicago. "And I thought you said a baboon will only get drunk once. Here I thought he was poised to go for that goat-shit cigar. I mean, so much for your full Cleveland."

"Georgie is not your average baboon," Koestler said with a shrug. "Especially when he's stoned. When you've got a stoned baboon, all bets are off."

Indiana looked at Koestler. "What are we going to do? Are we going after him?"

"Not likely—anyhow, you need to clean up. Put something on those scratches. They can go septic overnight in this climate."

"But the leopard."

"Not to worry. I'll send Johnson and some of the men out with flashlights and shotguns. I'm absolutely fried from that joint. I'm not going out there—although we have to do something about that cat. He's getting altogether too bold, and we have children about. I'm going to have to roust Johnson. Anyhow, welcome to the B-team, gentlemen—Har har! Try to get



"And this is my pocket."

some sleep. Tomorrow is going to be a rather difficult . . . a rather gruesome . . . well, shall I say, it won't be your typical day at the office? Up at dawn and that sort of thing." Koestler tossed back the last of his drink. "Rude awakening, the leper colony. Not for the faint of heart."

The young doctors grimly nodded an affirmation as Koestler made a pretense of cleaning up around the card table. He watched the two men stumble back to their rooms in the dorm, and when they were out of sight, he picked up one of the fat roaches that were left over from their party. He lit it with his Ronson and managed to get three good tokes off it. He heard the leopard out in the bush.

Who was it? Stanley? Was it Sir Henry Morton Stanley who had been attacked by a lion, shaken into shock, and who later reported that he had felt a numbness that was a kind of bliss—a natural blessing for those creatures who were eaten alive? Not a bad way to go. Of course, leopards were smaller. Slashers.

Koestler picked up Indiana's drink, which was filled to the brim; it was warm, and the Coke in it had gone flat. It didn't matter. There seemed to be a perfect rightness to everything. That was the marijuana. Well, what difference did it make? It was his current reality. When he finished the whiskey, Koestler got up and clicked on his small chrome-plated penlight and followed its narrow beam into the bush. The beam was just long

enough to allow him to put one foot in front of the other. Finding Babbitt would be almost impossible. *Amor fati*. Choose the right time to die. Well, there was no need to overdramatize; he was just taking a little midnight stroll. The leopard, unless it was crazy, would run from his very smell.

AS soon as Koestler got under the jungle canopy, the air temperature fell ten degrees. The bush smelled damp and rotten. Yet, for the first time in thirty years, Koestler felt at one with the jungle. A little T-Bone Walker blues beamed in from some remote area of the brain: *They call it Stormy Monday, but Tuesday's just as bad*.

At the sound of Koestler's heavy boots, the nocturnal rustlings of the bush grew still. Koestler could then hear drums from the nearby village. There had been an elephant kill. Somehow his peripheral awareness had picked up on that news at some point during this most incredible day. Elephant kill. House of meat. Cause for celebration. The doctor proceeded into the darkness. The penlight seemed to dim; were the batteries low? Beneath the sound of the drumbeats, Koestler heard a branch snap. He stood stock-still in the middle of it all. He flipped his penlight right and left, and in a low, piping voice, said, "Georgie, Georgie? Where are you, my little pal? Why don't you come on back home? Come back home to Daddykins." ♦

LANDMARKS

TO THE PENNSYLVANIA STATION

Penn Station was once a glorious gateway to the city. With Senator Moynihan's help, it may be again.

BY SIDNEY BLUMENTHAL

A COUPLE of blocks from the Russell Building, where Daniel Patrick Moynihan, the senior senator from New York, has his offices, stands Union Station. Once so decrepit that he could see trees growing on its roof, it is now a gleaming masterpiece. Moynihan was instrumental in securing the funding that has transformed it from neglected eyesore to sandblasted glory. It is only a three-hour train ride to Pennsylvania Station in New York. One end of the trip has already been touched by Moynihan's restorative impulse, and the other is about to be. Just as he envisioned a new Union Station when it had literally gone to

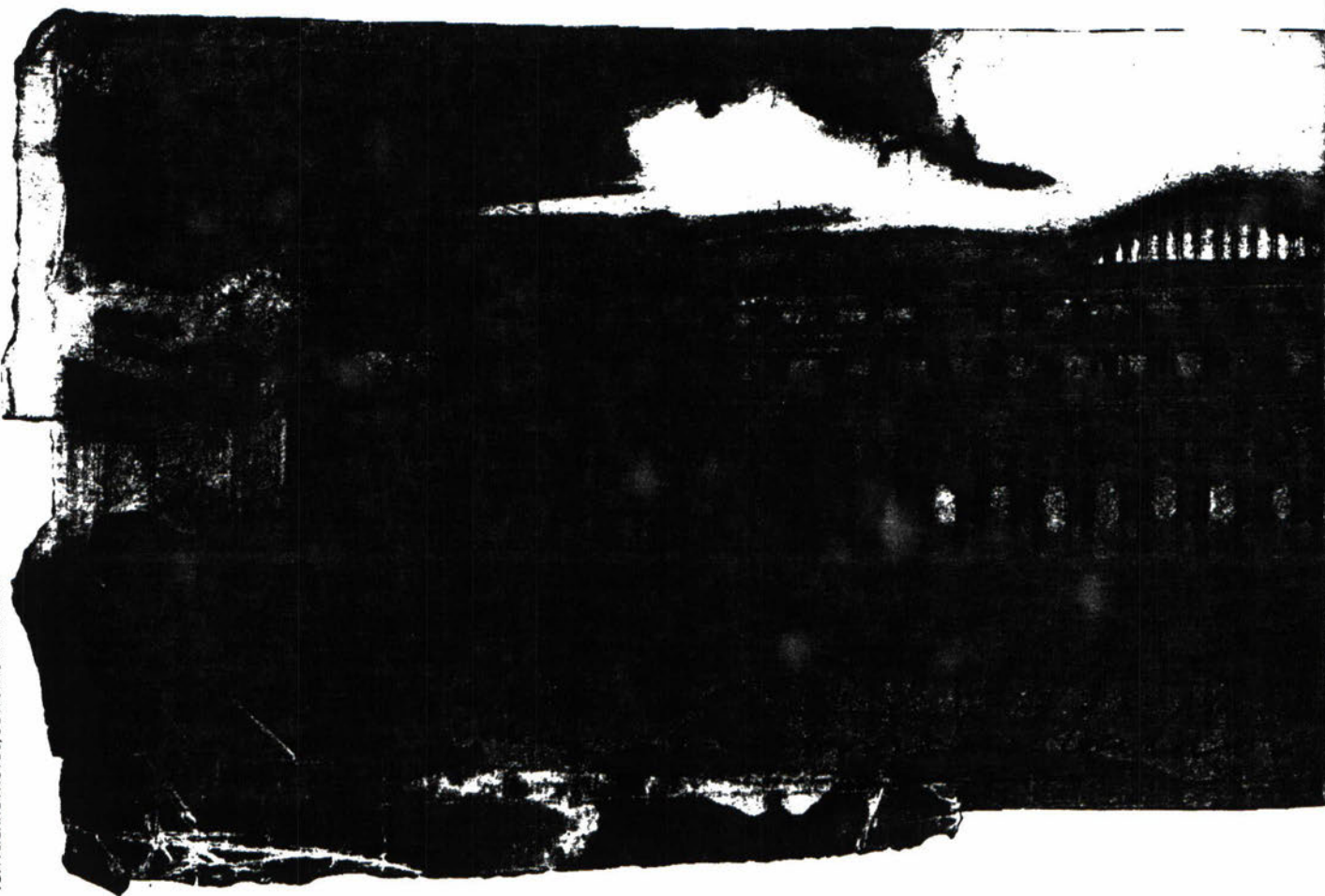
seed, he now sees a new Penn Station.

Ever since his election to the Senate, in 1976, Moynihan has been its resident intellectual, gadfly, and prophet. He has earned a certain deference from his colleagues, although they tend to regard him as inhabiting a universe of his own. They do not always grasp the point of his extended remarks, and frequently he does not seem to focus on their less exalted interests and expedients. But with the election of 1992 the seniority system of the Senate, operating according to its peculiar Newtonian mechanics, ratcheted Moynihan up to the chairmanship of the Finance Committee. Time does wait for some men; in fact, time is one of the chief instruments of

influence within the Senate. And now that Moynihan is chairman of the Finance Committee, through which all tax bills flow, it is hardly surprising that the matter of re-creating Penn Station is receiving attention.

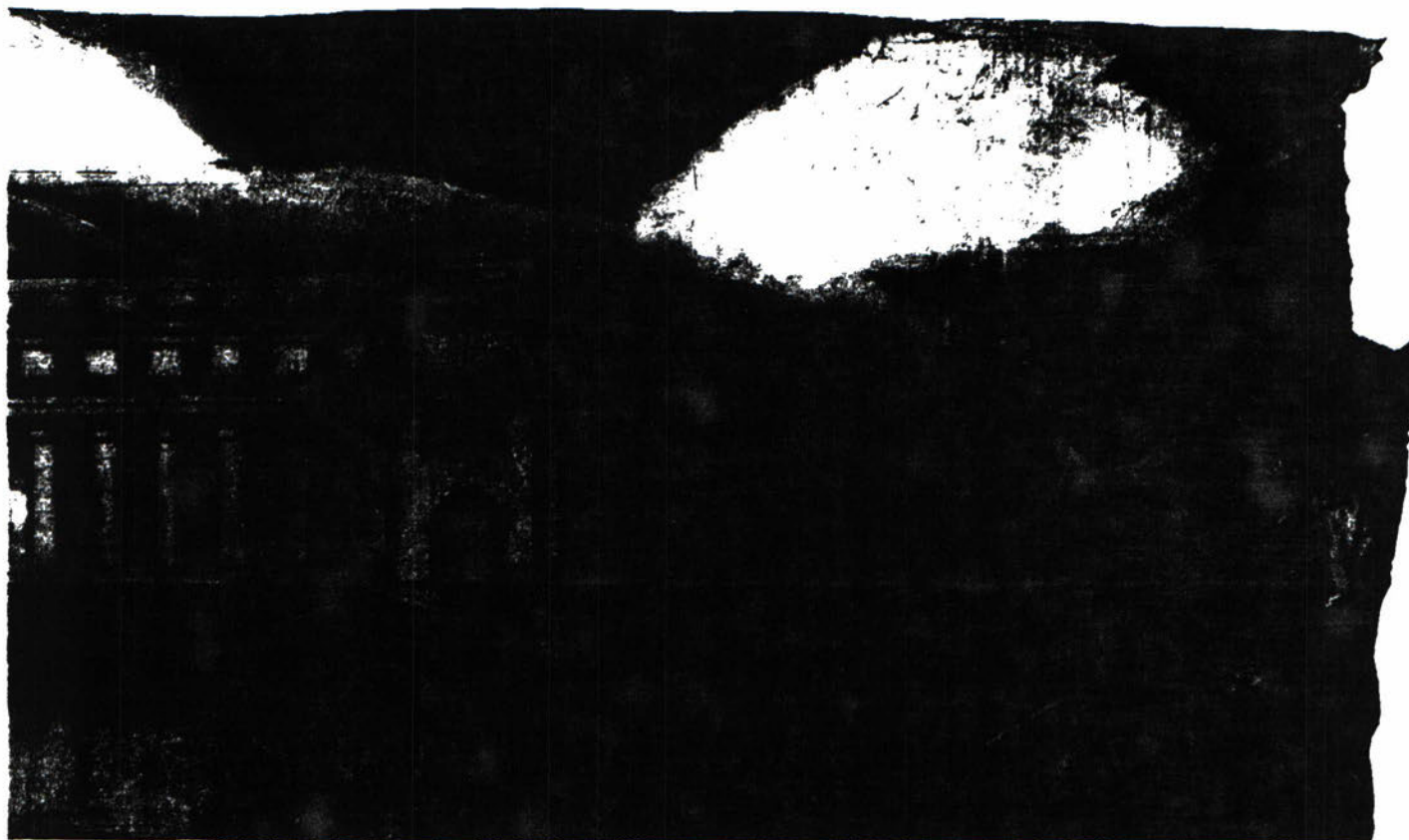
"There are images that stay in your mind," Moynihan said recently. "They tore down the station and dumped it in the Jersey meadows. Some photographer got an image of the debris, with the Manhattan skyline visible through the columns. And you thought, *What did we do?*" He was, of course, referring to the old Penn Station, designed by McKim, Mead & White and completed in 1910, and destroyed in 1963.

New York's first World's Fair, on the



eve of the Second World War, featured a portent of doom for the railroads. The most spectacular exhibit was the Futurama, sponsored by General Motors, in which visitors were smoothly whisked through the world of tomorrow—a world of superhighways. Moynihan recalled sneaking into the fair as a kid, and being awed by G.M.'s presentation. Between the mid-forties and the mid-sixties, the annual number of railroad journeys fell from nearly eight hundred million to fewer than three hundred million. Train stations were no longer temples of progress but decaying mausoleums. "We let the railroads down," Moynihan said. Penn Station's owner, the Pennsylvania Railroad, decided to sell the air rights of the land on which it stood; the station was condemned.

"New York City has never got over tearing down Penn Station," Moynihan went on. "It was a joy coming up from Norfolk as a young ensign"—this was the late forties—"and arriving there. You want to get that quote from Vincent Scully"—the eminent emeritus professor of art history at Yale. "One entered the city like a god," Scully wrote in "American Architecture and Urban-



The main concourse of Charles McKim's 1910 station, top right, and an artist's exterior rendering of Hellmuth, Obata, & Kassabaum's plans for remodelling McKim's 1914 General Post Office Building as a new Penn Station.

ism," in 1969. "One scuttles in now like a rat."

The new station had been completed the year before; eight years later, Amtrak assumed ownership from the bankrupt Penn-Central Railroad (the last incarnation of the Pennsylvania Railroad). During the nineteen-eighties, Amtrak spent nearly thirty million dollars on improvements. But Amtrak officials did not delude themselves into believing that cosmetic surgery would ever lift Penn Station's face out of ugliness. Besides, about forty per cent of all Amtrak passenger traffic passes through Penn Station, and, with New Jersey Transit, Long Island Rail Road, and subway passengers, the growth in the station's use was straining its limits. "We would reach pedestrian gridlock just after the turn of the century," Donald J. Pross, Amtrak's director of real-estate development, said. In 1989, the Amtrak board began drawing up a master plan.

As that plan was nearing completion, Amtrak learned that by 1994 space would be available across Eighth Avenue in the James A. Farley Building—the old United States General Post Office, which was also designed by McKim, Mead & White, and opened to

the public in 1914. Underneath it run tracks and platforms that extend and expand what exists at Penn Station. A remedy for the historic grievance had presented itself.

In May, 1992, Amtrak produced a feasibility study, complete with full-color drawings of a new Penn Station. The station that appeared in the study would be a suitable companion to the finely restored Union Station in Washington and to the similarly restored Thirtieth Street Station in Philadelphia. Amtrak even built a model that lit up when it was plugged in, illuminating tiny people passing new shops and restaurants on their way to miniature trains on the tracks below. When the lights went on in the Penn Station model, in Amtrak's office in Union Station, Moynihan became an instant enthusiast.

A year later, Moynihan got Mayor David Dinkins to endorse the project. Moynihan quickly wrote a draft of an Op-Ed piece for the *Times*, to bear a joint byline with Dinkins. Moynihan titled it "Back to the Future: Old Pennsylvania Station Now," and he wrote, "Enter a time machine, turn back the clock, re-create Penn Station in the great Farley Post Office atop the same train

tracks, athwart the same transportation systems, intercity and suburban rail, subway, bus, taxi, sidewalk of old. All anew! David Riesman once remarked that America is the land of the second chance. And, by God, here is one." On the steps of the Farley Building, on August 31st, Moynihan endorsed Dinkins for reelection. Both pledged their support for a new Penn Station, but the *Times* rejected the Op-Ed article.

Two months later, just before a speech on health care by President Clinton, Moynihan raised the question of Penn Station with him. The next day, October 28th, which happened to be the thirtieth anniversary of the first day of the old Penn Station's demolition, Clinton campaigned for Dinkins at a rally in a union hall in Queens. After praising the Mayor, he spoke briefly in favor of the Penn Station project. The following week, Dinkins was defeated. A week later, Moynihan inquired at the White House about the future of Penn Station and was referred to an associate director in the Office of Management and Budget, Christopher Edley. In December, Edley held a meeting in his office of all the appropriate officials at all levels of government—local, state, and

McKIM'S MONUMENTS

BY BRENDAN GILL

IN the early years of this century, when railroads were the country's dominant form of transportation, the Pennsylvania Railroad began building a colossal new station on the tract of land embraced by Thirty-first and Thirty-third Streets and Seventh and Eighth Avenues. The practical purpose of the structure was to take advantage of the technology that made it possible for electricity to replace coal-fired steam in providing power for locomotives, and so eliminate the soot and ash that had traditionally turned the areas adjacent to railroad tracks into all but uninhabitable slums. Its psychological purpose was to serve as an outward and visible sign of

the prosperity of the great corporation that commissioned it.

Theretofores, the Pennsy Line had ended in open yards on the Jersey shore, with ferries carrying railroad cars across the Hudson. It was a formidably expensive undertaking to bring the lines through a tunnel under the Hudson, and then to build at the tunnel's end a station on a scale that only the New York Central's Grand Central could rival. At the time, cost was by no means the primary concern. Pride required that the Pennsy produce a monument to itself in the heart of New York, and to design this monument it made an obvious choice: Charles Follen McKim, of the architectural firm of Mc-

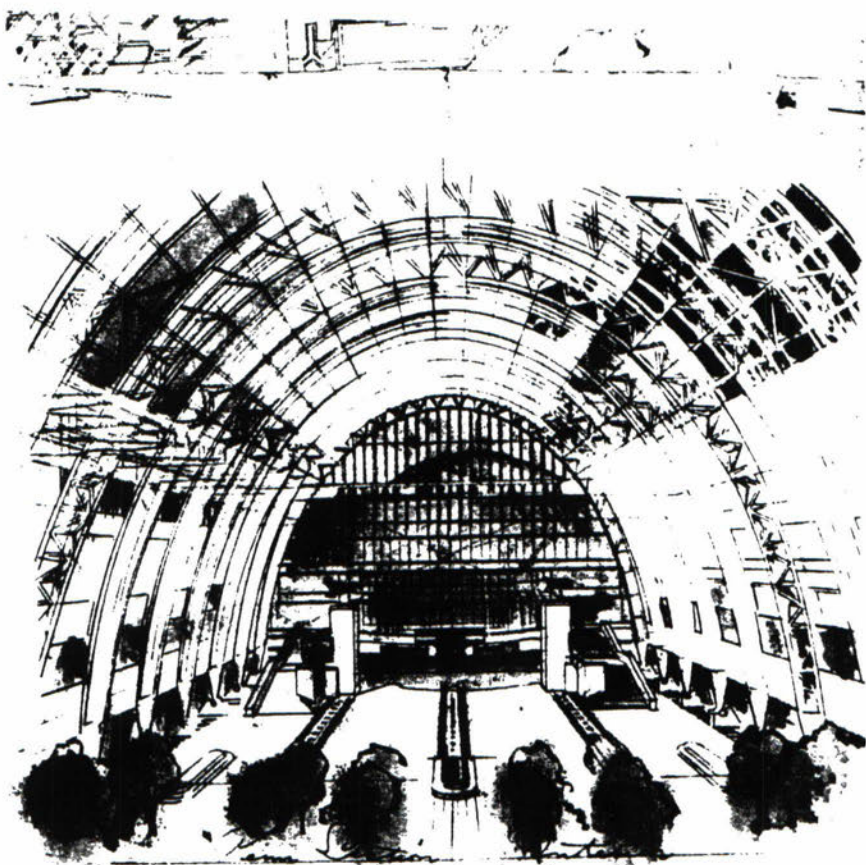
Kim, Mead & White, which was the most highly regarded architectural firm in the country.

In its classic grandeur, the station that McKim designed might well have been mistaken for a portion of the Forum in Imperial Rome. Scores of immense granite columns lined the perimeter of the site, out of the center of which rose a gigantic near-replica of the Baths of Caracalla, containing ticket counters and serving as the main waiting room of the station. At the west end of this waiting room were two smaller waiting rooms—one for women, the other for men—and a multi-vaulted steel-and-glass concourse. From the concourse, flights of stairs led down to an intricate maze of tracks—those of the Pennsy itself, those of the Long Island Rail Road (which the Pennsy controlled), and those of the newly constructed I.R.T. subway. So mazelike was this "city within a city" that the English novelist Arnold Bennett is reported to have said that "everything

federal. In a letter to Moynihan about the preparations for this gathering, he wrote, "I think it would be very helpful if you or your staff would convene a preliminary meeting to set the tone and quote Herodotus." Both meetings were, from Moynihan's point of view, successful: when the President's budget was presented, on February 7th, a hundred million dollars had been set aside for a Pennsylvania Station Redevelopment Project. (The rest of the money would come from the state, the city, the Long Island Rail Road, and New Jersey Transit.)

The arrangements are not yet complete, but the chairman of the Senate Finance Committee is convinced that, together with Governor Cuomo and Mayor Giuliani, he will seal the deal. Then, in 1999, on the eve of the new century, he hopes to see Penn Station reborn. "If you don't understand this, then you don't understand patriotism," Moynihan said. "You don't know what the country is about." The thought inspired him to declaim a Whitmanesque rhapsody on Manhattan:

Revival!
Up from the Meadowlands!
Up from the Jersey swamps!
Risen! ♦



Artist's rendering of the proposed main concourse, which would partially transform the old Post Office Building into a new station.

could be found there except the trains."

Penn Station was thrown down thirty years ago. The railroad itself had fallen upon hard times, and the huge tract of land that it occupied was plainly capable of being profitably redeveloped. A plan was proposed that would make room aboveground for a new Madison Square Garden and for office towers, with much of the actual railroad station being confined to a basement concourse. Penn Station had long been considered one of the most important buildings designed in the American neoclassical tradition, so its demolition might have been expected to create a considerable stir. Not so. The protests of a handful of architects and architectural historians aside, the building vanished without a peep; it was only after its mighty columns and noble carved eagles had been carted away that the public at large began to take the measure of what had been lost.

The destruction of Penn Station, in essence, led to the passage, in 1965, of

the Landmarks Law. One of the beneficiaries of this law was the United States General Post Office, which had been designed by McKim, Mead & White as a companion building to Penn Station. Facing the station directly across Eighth Avenue, the post-office building runs between Thirty-first and Thirty-third Streets and all the way back to Ninth Avenue. Its façade consists of a colonnade of twenty enormous Corinthian columns, fifty-three feet high. On the entablature above the columns is carved the famous adaptation of a saying by Herodotus: "Neither snow nor rain nor heat nor gloom of night stays these couriers from the swift completion of their appointed rounds." The structure was officially designated a landmark in 1966.

The federal government has now constructed a new, high-tech mail-handling facility several blocks to the south, and much of the space in the old General Post Office has become available for

other uses. The Amtrak system, long vexed by the difficulty of operating in a remnant of McKim's Penn Station, is eager to prove that the Post Office Building can be turned into an admirable substitute for his lost masterpiece. The architectural firm of Hellmuth, Obata & Kassabaum has come up with an ingenious design for remodeling it, which includes the insertion of a skylighted concourse a hundred and twenty feet high in what is now a light well. (The present Penn Station would continue to serve Long Island Rail Road and New Jersey Transit passengers.) To help find the money for the transformation, Amtrak and its associates turned, of course, to Senator Moynihan, universally acknowledged to be the member of Congress most learned in matters of architecture, most concerned with maintaining a high standard of design and construction for federal buildings, and most adept at securing funds in their behalf. ♦



THE CRITICS

A CRITIC AT LARGE

THE WAR OF ALL AGAINST ALL

BY LOUIS MENAND

THERE are three subjects in American life on which the sun never seems to set: sex, violence, and money. Money exists in a sphere of its own; it is the green light at the end of the dock, the number that can never have too many zeros, a thing forever enthralling for its own sake. But the two other eternal verities are generally imagined in some sort of relation to each other. Several relations are theoretically possible. The first is antithetical: "If there were more sex, there would be less violence"; or (poster version), "Make Love, Not War." The second, which has made trouble for us in the past, takes the form "Violence is sexy": Cagney and Bogart, Mickey Spillane, a lot of Mailer, "Straw Dogs." Happiness is a warm gun. The distinctively American nature of this idea was the point of Godard's "Breathless," which shows that genuine sex appeal and hardboiled toughness look ridiculous together in a Frenchman.

Then, there is the combination we find ourselves currently committed to: "Sex is violence." How did we end up living in a world governed by an equation like this? The vocabulary we use

to talk about sex and the vocabulary we use to talk about violence have somehow merged, with the weird result that both are a lot less glamorous than they used to be. We no longer think violence is sexy, which is a nice development, but we no longer think sex is particularly sexy, either. Our language is somehow



preventing us from making distinctions we used to be able to make.

The key assumption in everyone's conception of violence in America today is that it is epidemic. The injury to Nancy Kerrigan's knee, the abduction and murder of Polly Klaas, the arrest of Snoop Doggy Dogg, the Bobbitt and Menendez trials, drive-by shootings,

date rape, "Beavis and Butt-head," Colin Ferguson—they're all regarded as symptoms of the same pathology. And it's the pathology that fascinates us. The words we use to describe the isolated act of violence are words like "random" and "senseless"—language that makes judgment otiose. We do not condemn the lightning for striking. What carries the moral baggage is the language we use to describe the pathology: "abuse," "victimization," "commercialism," "the culture of despair," "the culture of violence." It has become almost unseemly to judge individuals, but about blaming abstractions we have never felt more confident.

This habit is not restricted to columnists and defense attorneys. After the trial of the men who had beaten Reginald Denny nearly to death during the riots in Los Angeles which followed the verdicts in the first Rodney King trial, Denny explained that he felt no ill will toward his attackers, and saw no point in punishing them further. He regarded them—as they claimed, in their defense, to regard themselves—as victims of mob psychology: they were involved in a riot, and were only doing what people in a riot do, which is to commit senseless and random acts of violence. Denny is, however, suing the City of Los Angeles.

The attempt to shift accountability from the person who stands before you to the impersonal forces whose puppet he is supposed to be does not always succeed, of course. The claim of Denny's attackers that they were victims of

Edward M. Kennedy
Massachusetts



United States Senate
WASHINGTON, DC 20510-2101

March 18, 1998

The President and the First Lady
The White House
Washington, D.C.

Dear President and Mrs. Clinton:

Many many thanks for a spectacular weekend. It meant so much to me to be able to visit Camp David again after all these years, and Vicki and I are very grateful to you both.

I still have exceedingly warm memories of the wonderful times I spent there with my brother nearly 40 years ago, and to be there with you both last weekend was very special indeed.

I congratulate you again on all you're doing for Ireland. It was a privilege to be at the White House yesterday evening with Jean, and to hear your warm words about her. It meant a great deal to us, since her children were there as well.

A hundred thousand thank yous for all your kindnesses to our family.

As ever,

A handwritten signature in dark ink, appearing to be "Ed", written over a light-colored background.

Edward M. Kennedy

P.S. Mr. President, I also enjoyed your comments about Daniel Webster. I'm enclosing his 1826 speech on the lives of Adams and Jefferson -- I could hear you delivering much of it today, especially the passages on education! (Chris Dodd has a wonderful painting of Webster in his Capitol hideaway across from mine. I keep telling Chris that Webster was from Massachusetts, but he ignores me!)

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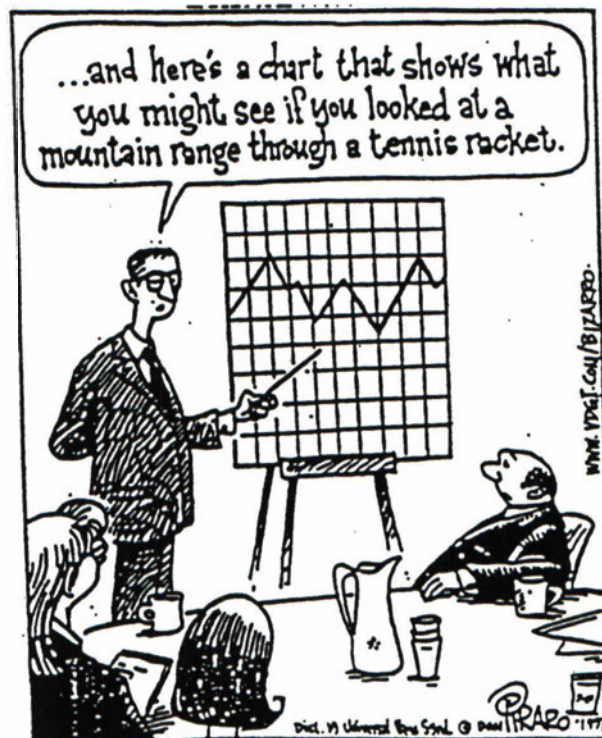
BZ

WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

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

1993-98 Special Edition

CARTOON OF THE WEEK

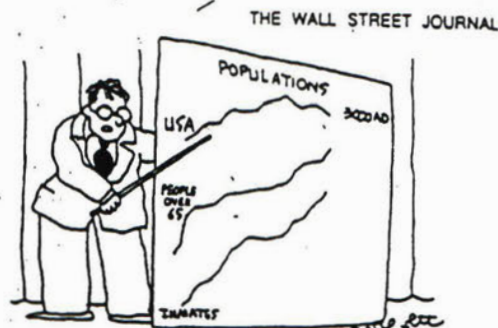


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Economists- Can't Live With 'Em, Can't Live Without 'Em





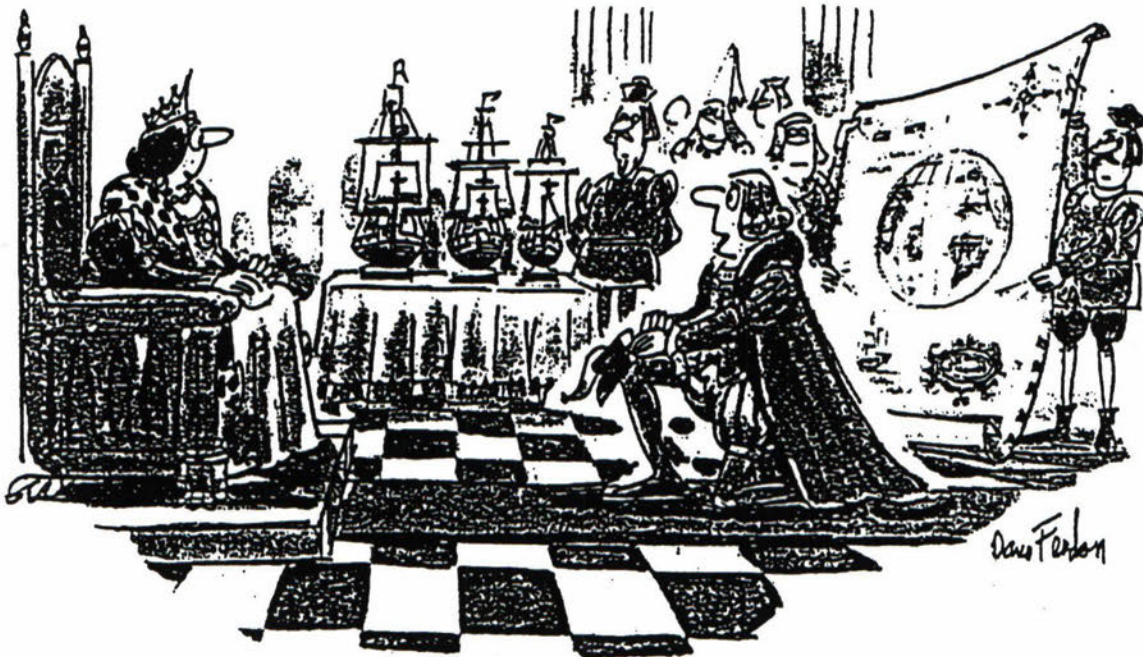
"An alarming trend, folks—by 3000 AD, all Americans will be retired or in prison!"



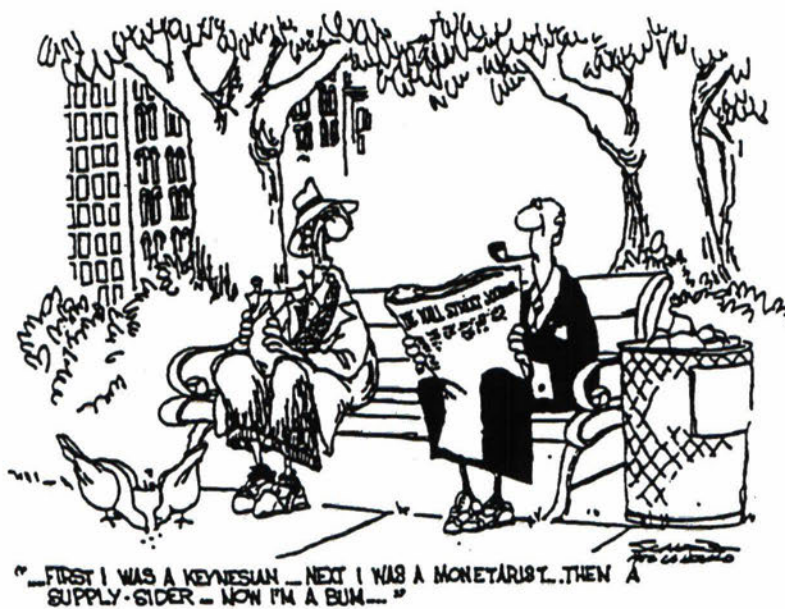
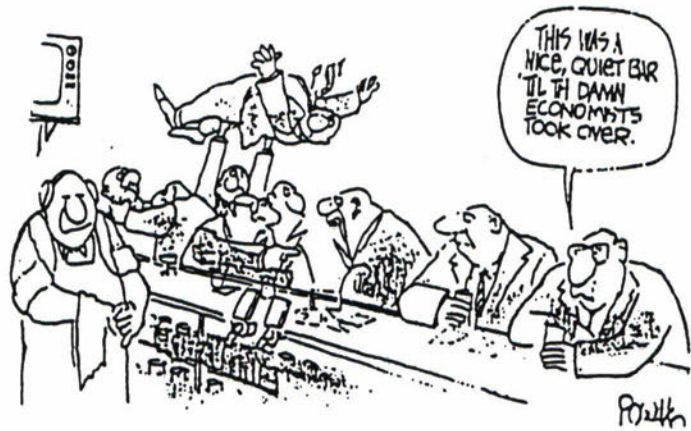
"Once again, how many of you think we should tinker with the economy?"

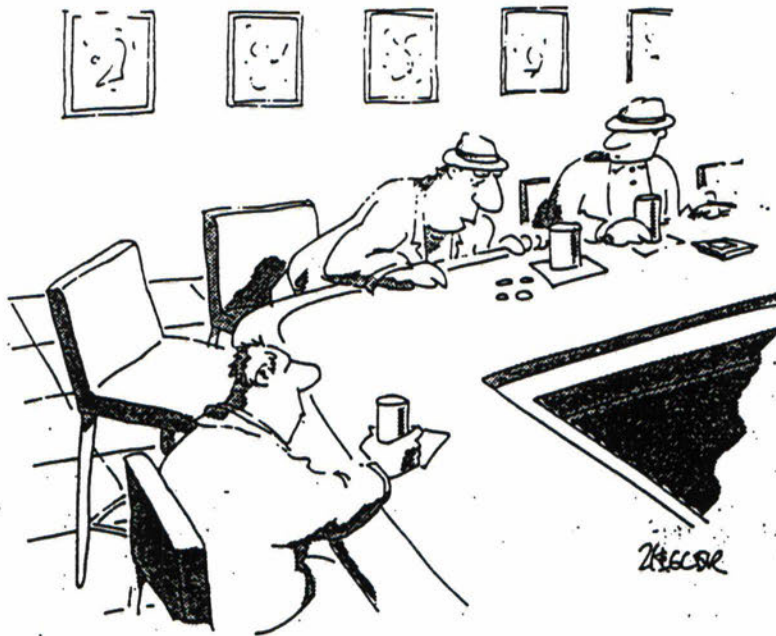


"Sure, we need more research in alchemy, necromancy, and sorcery, but where is the money going to come from?"



"Your Majesty, my voyage will not only forge a new route to the spices of the East but also create over three thousand new jobs."





"The index of leading economic indicators currently being at only 32 cents, gentlemen. I believe I'll say goodnight."



"It's true, Caesar. Rome is declining, but I expect it to pick up in the next quarter."



SHE'S HANDING A CUSTOMER A LARGE COKE WHEN SHE HEARS A REPORT FROM THE COUNCIL OF ECONOMIC ADVISERS...

MOST DOWNSIZED WORKERS ARE NOT PUSHING FRIES AT McDONALD'S... THEY HAVE GOOD JOBS AT HOSPITALS AND SOFTWARE COMPANIES!



SUSAN'S DESIRE TO BELIEVE THE STUDY AND DENY REALITY CAUSES HER TO TEMPORARILY FALL INTO A COMA.



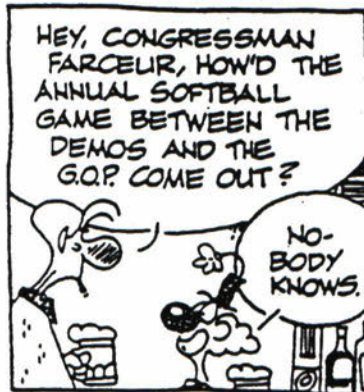
SHE COMES TO AND FINDS HERSELF AT A CAR DEALERSHIP ATTEMPTING TO BUY A FORD TAURUS WITH A DOUBLE CHEESEBURGER ON A SESAME SEED BUN.



WILL YOU BE PAYING WITH CASH OR CREDIT CARD?

BURGER.

MOTLEY'S CREW



HEY, CONGRESSMAN FARCEUR, HOW'D THE ANNUAL SOFTBALL GAME BETWEEN THE DEMOS AND THE G.O.P. COME OUT?

NO-BODY KNOWS.

FIRST OF ALL, THE SCOREKEEPERS HAD TROUBLE EVEN FINDING THE BALLPARK, AND THEN COULDN'T AGREE ON HOW MANY RUNS WERE SCORED.



IN FACT, WE COULDN'T GET THEM TO AGREE ON WHAT CONSTITUTED A RUN.



WHO WERE THESE SCORE-KEEPERS?!

THE COUNCIL OF ECONOMIC ADVISORS.

F.

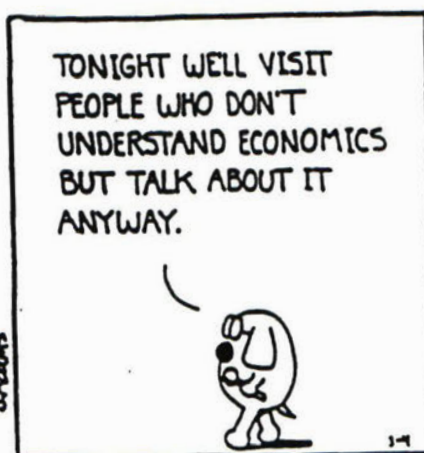
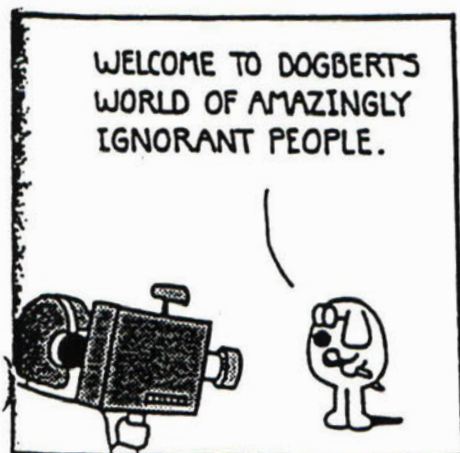


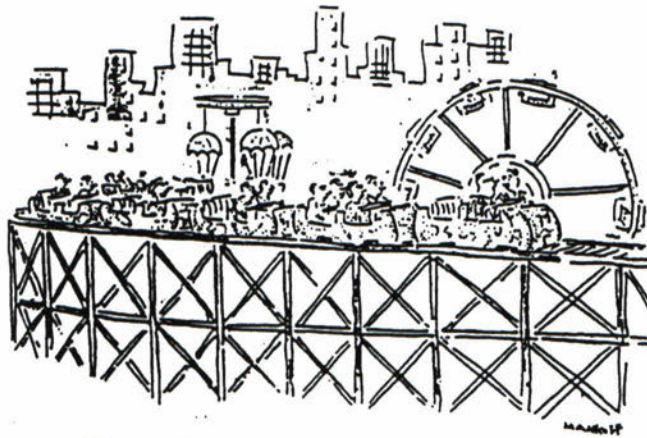
PRESIDENT'S COUNCIL OF ECONOMIC ADVISERS

CAN'T ANYBODY THINK OF ANYTHING BETTER THAN A BAKE SALE?!

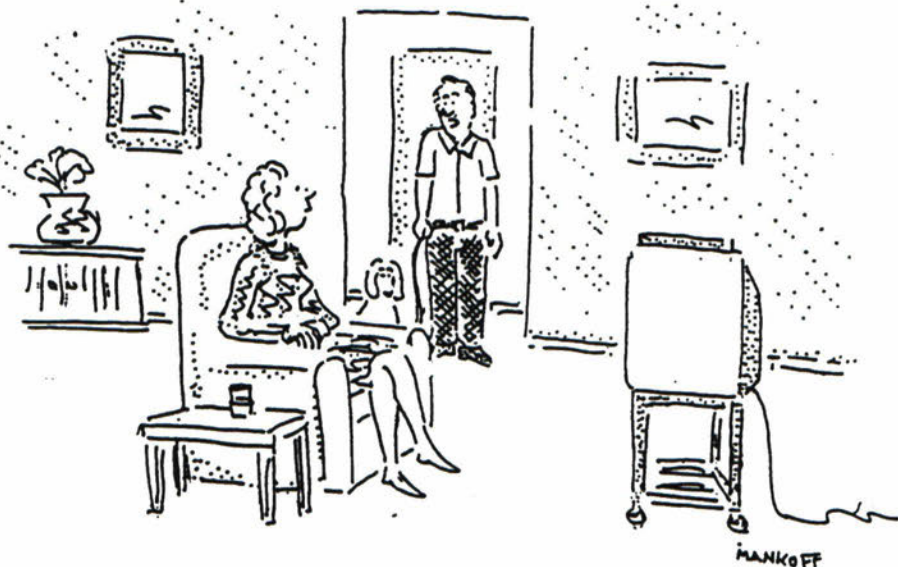


"An increase in interest rates by the Federal Reserve board today sent the stock market down, but then the hope that this would lead to sustainable economic growth moved the market back up, until the realization that higher interest rates could stall the recovery sent it down again, before it ultimately rose on expectations that a sluggish economy would cause the Federal Reserve board to lower rates."





"Personally, I liked this roller coaster a lot better before the Federal Reserve Board got hold of it."



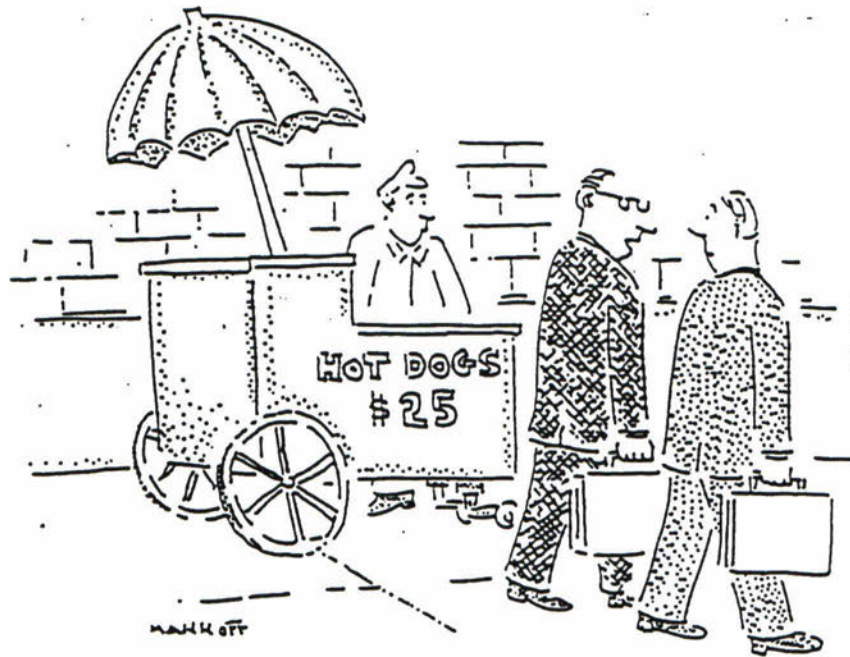
"The Fed take any recovery-fighting measures while we were out?"



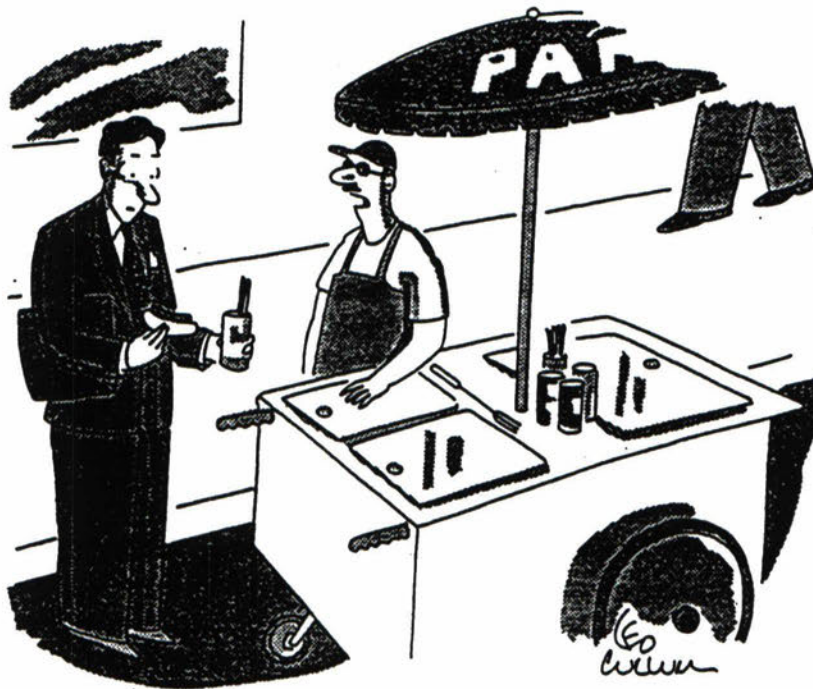
"Oh, I think Whoopi is a good choice, but I would have preferred Greenspan."



"Do something, quick. How about your cute little impersonation of Alan Greenspan?"

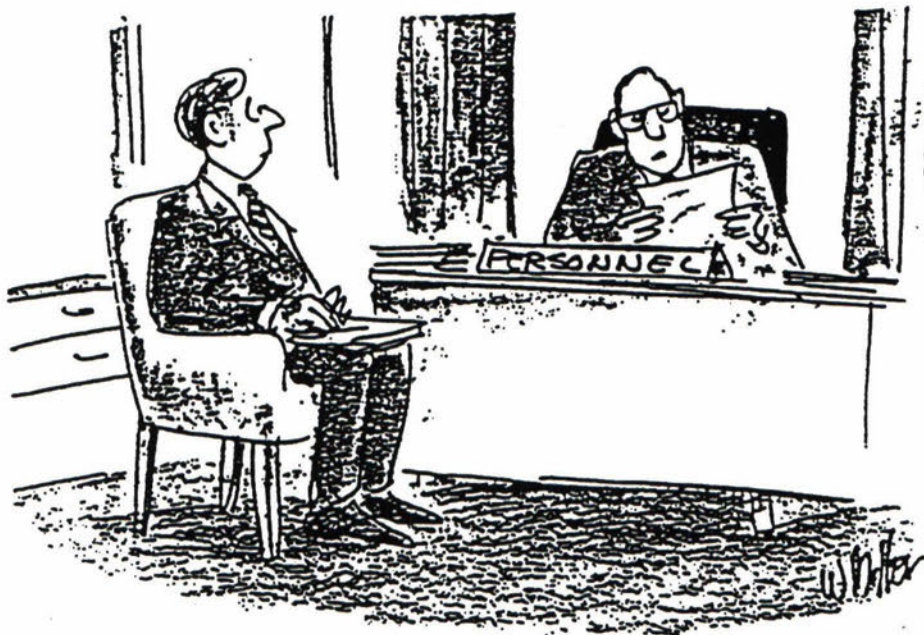


"I told you the Fed should have tightened."



"I've reluctantly devalued the frank."

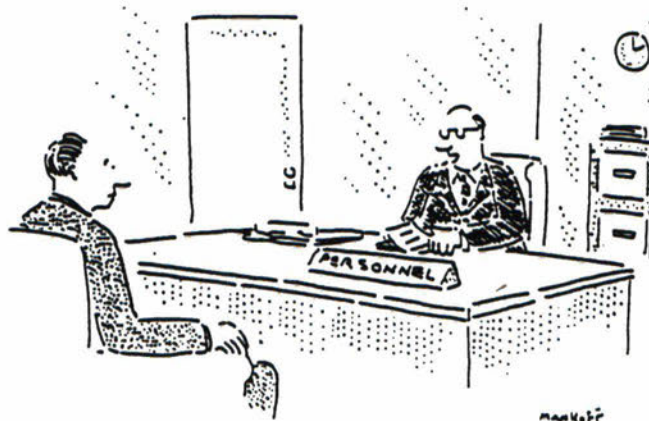
Just Another Day at the Office



"Of course, with the position that has the benefits—medical, dental, et cetera—there is no salary."



"The position carries no salary,
just medical coverage."



"I think I should warn you that the flip side of our generous
bonus-incentive program is capital punishment."



*"No health or dental, no stock options, and no severance package.
We do, however, provide free burial at sea."*



*"Don't worry about a pension plan here. We work
everyone to death."*



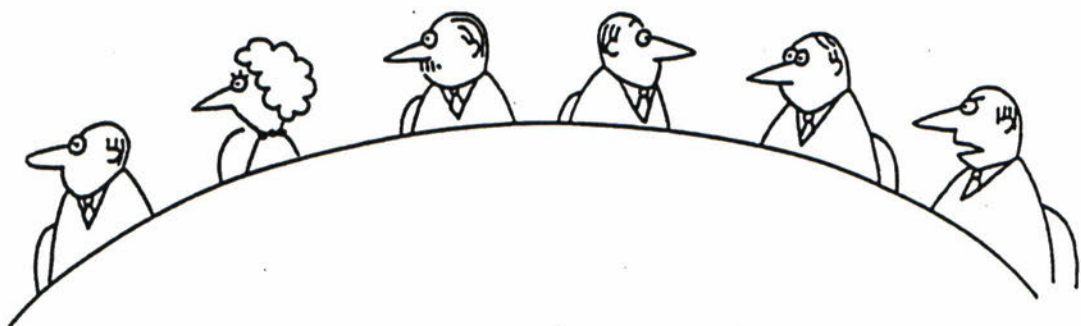
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"Is it too late to become a cowboy?"

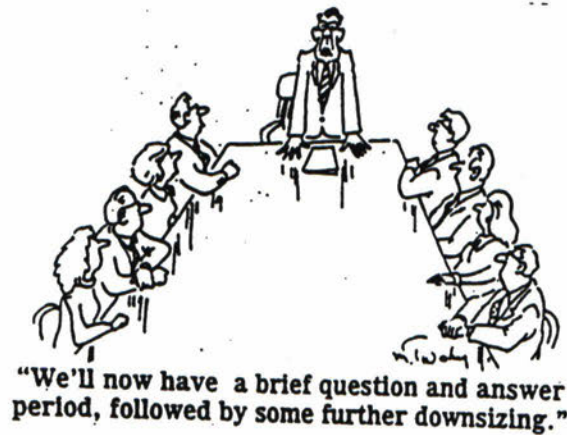
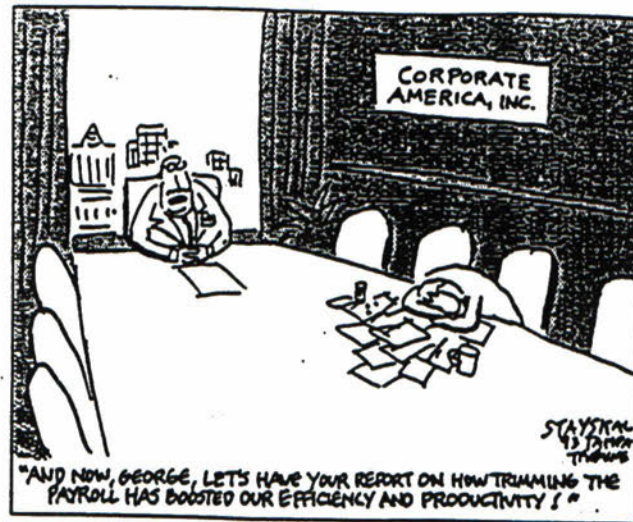


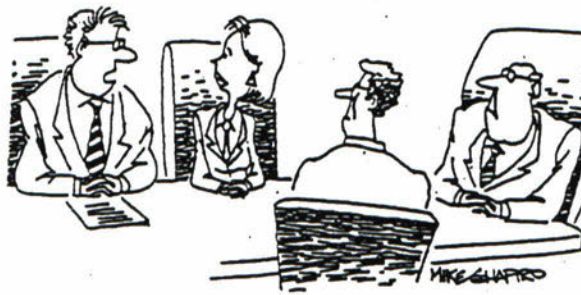
"We're still a Baby Bell, but now
we're a really big Baby Bell."



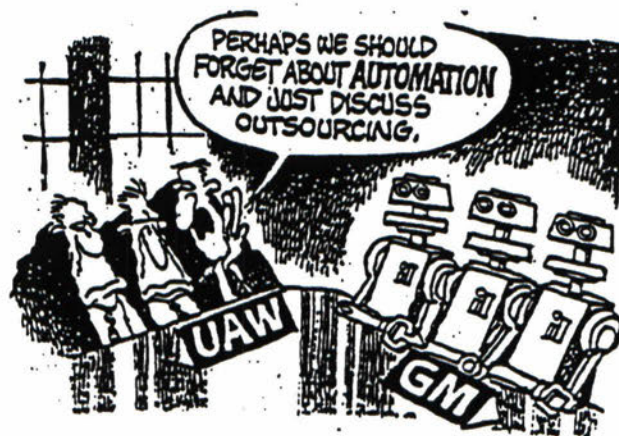
C. Garroli

"We're looking toward the Pacific Rim, Greenfield. What the hell are you doing?"

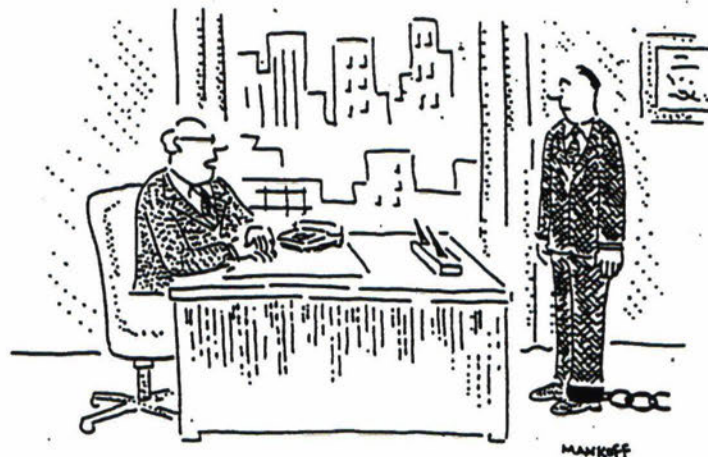




"Could you repeat that? I was just desperately wishing I was somewhere else."

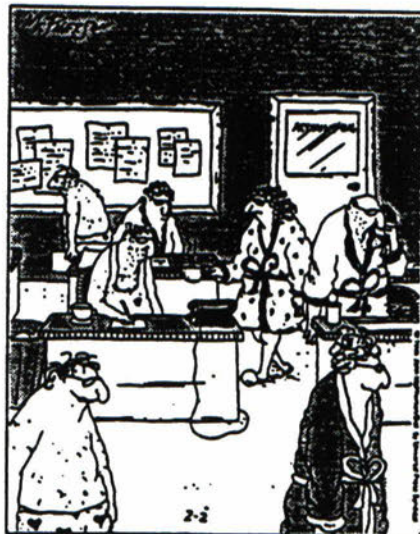


"So, we look to the fourth quarter as a time of healing."





"It's *casual* Friday, Whitmore, not *grubby* Friday!"



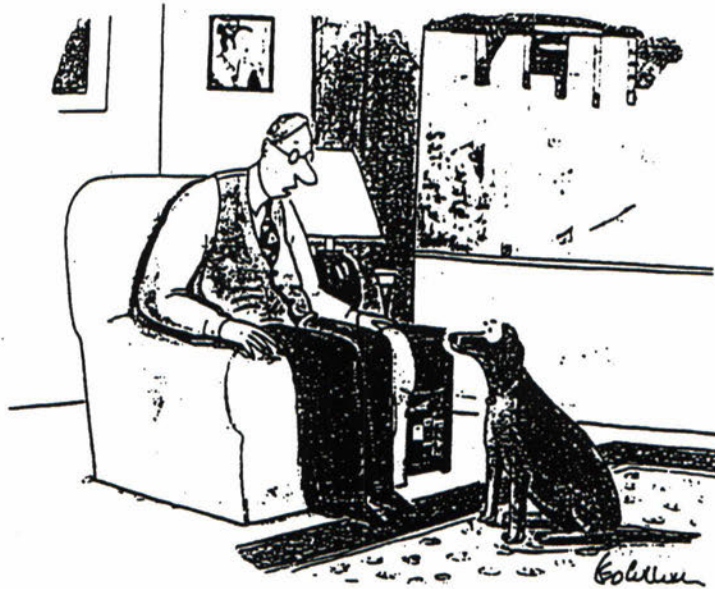
Gradually, employees at Milnord Industries began to abuse the company's Friday casual-dress policy.



*"Oh come on, it's your job to dream of things
that never were and ask 'why not?'
and it's my job to tell you."*



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



"You've been with us a long time, Winnie, and we're prepared to offer you a generous severance package."

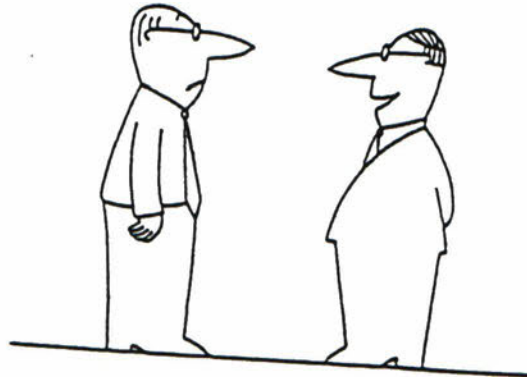


"Marissa, have we a lovely parting gift for Mr. Griswold?"



MANKOFF

"Brodkin, now that the economy is creating jobs at a faster than expected clip, why don't you go out and find yourself one?"



C. Brown

"Yes, and the fact that you've been an outstanding employee for twenty-five years is going to look great on your resume."



THANKS FOR COMING UP, MIKE.

NO PROBLEM, BERN. WHAT'S UP?



MIKE, I GOT A PROBLEM. I'M STARTING TO READ THAT RAMPANT JOB INSECURITY IS A MEDIA CREATION. THAT TENURE IS ACTUALLY UP FROM 20 YEARS AGO.



IT SEEMS THAT, FOR SO MOST AMERICANS, WHAT'S THE "DOWNSIDING" YOUR CRISIS DOESN'T EVEN EXIST!



I DON'T KNOW WHAT TO CALL WHAT I'M ABOUT TO DO.

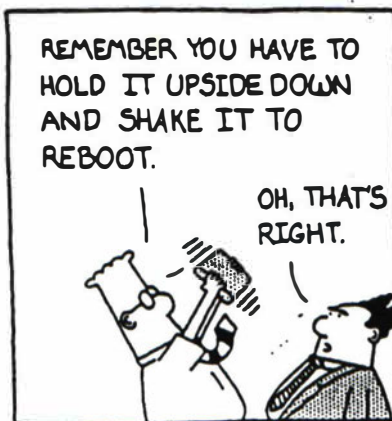
UH-OH...

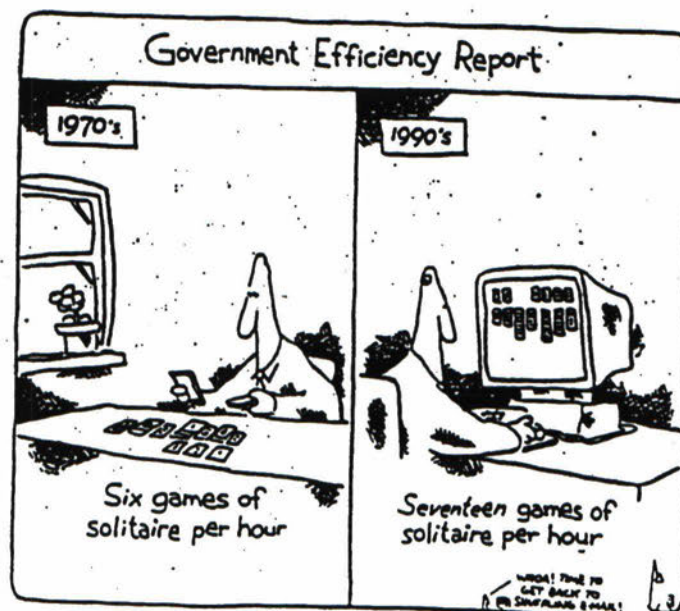
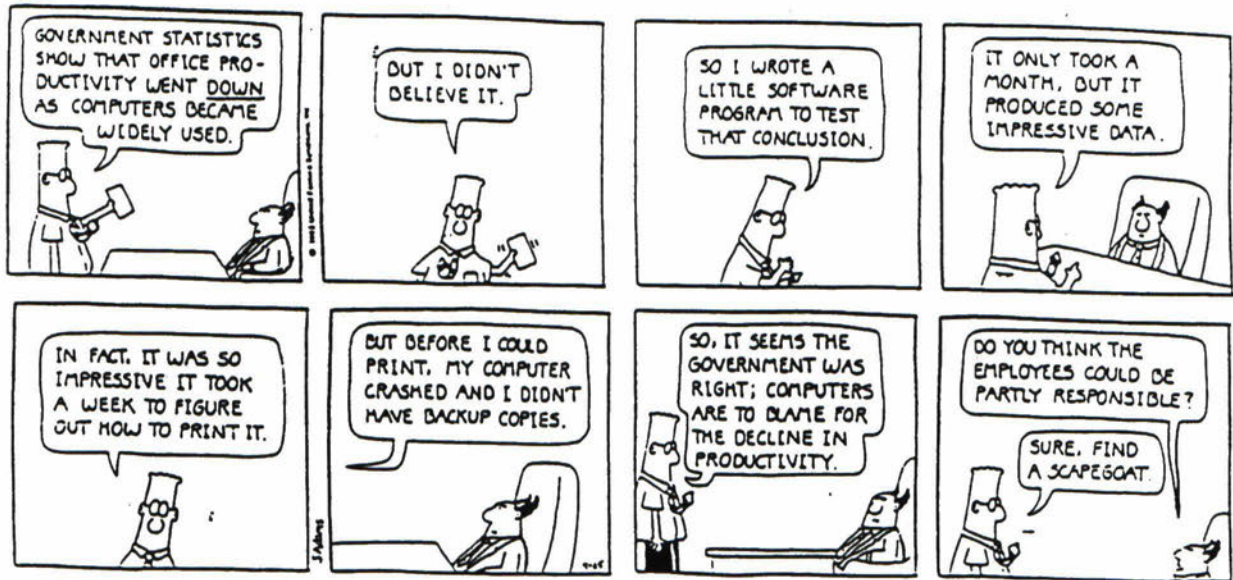
Riding the Information Superhighway





"I keep hitting 'escape,' but I'm still here."





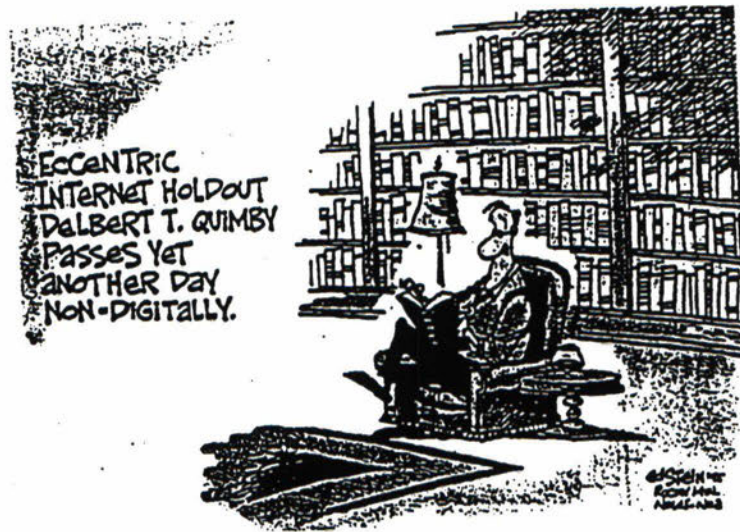


BY JIM BORGMAN FOR THE CINCINNATI ENQUIRER

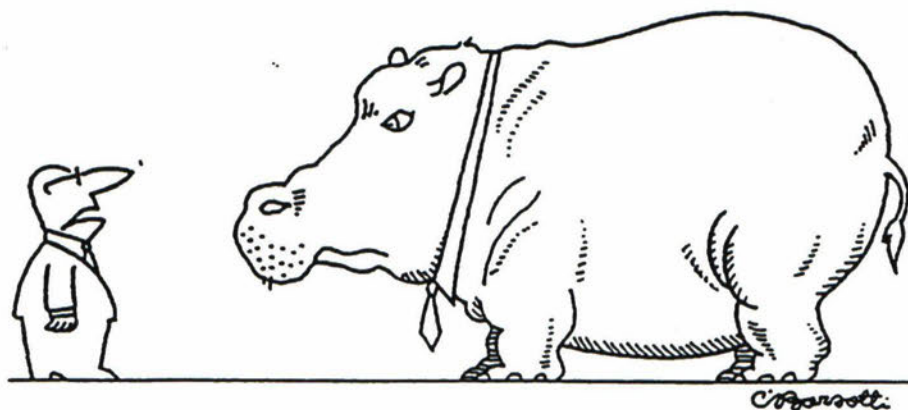
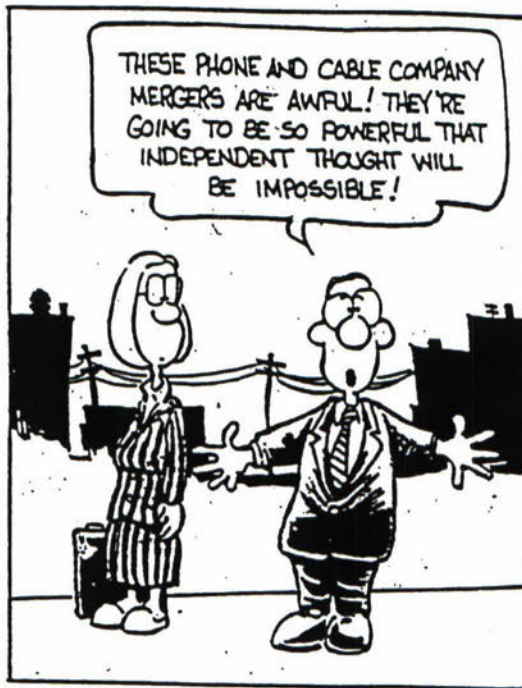
"I INSISTED ON A REAL, OLD-FASHIONED TREE THIS CHRISTMAS ... SO HAROLD LOCATED ONE ON THE INTERNET AND WE HAD IT FEDERATED FROM SINGAPORE."



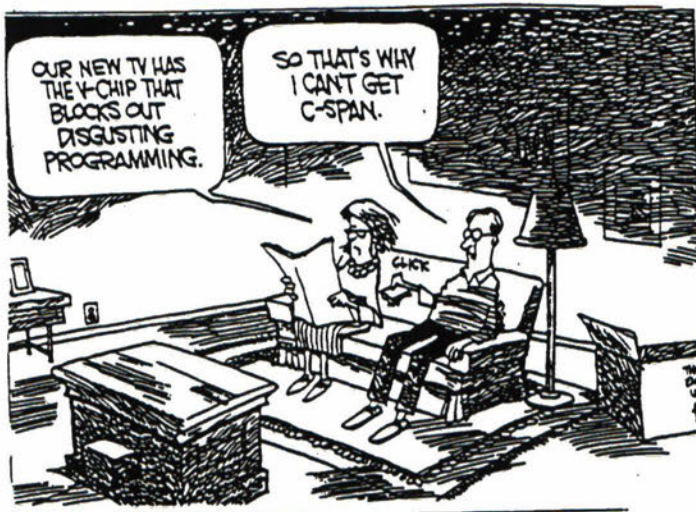
BY RICK REIN FOR THE JEFFERSON BLAZER JOURNAL



"Believe me, the E-check is in the E-mail."



"The bunny did not get the job because the bunny is cute. The bunny got the job because the bunny knows WordPerfect."



"Cash here! Get your cash here!"



"If it's so easy to assemble, why is there an emergency number for the Army Corps of Engineers?"

Bumps, Bruises, Malpractice, and HMOs



*"Sorry, folks, but your insurance doesn't cover
more than one day in the manger."*



"And, in our continuing effort to minimize surgical costs, I'll be hitting you over the head and tearing you open with my bare hands."



"My lawyer says I'm not allowed to guess what's wrong with you until after the tests are complete, and even then I'm supposed to cross my fingers."



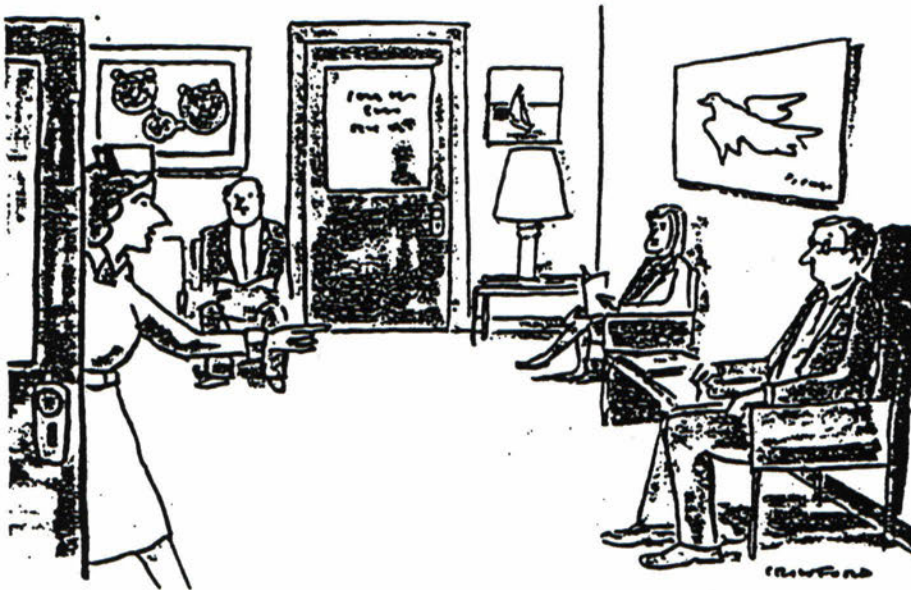
"Good news, Mr. Dewlap. While your cholesterol has remained the same, the research findings have changed."



"This is a second opinion. At first, I thought you had something else."



ENGLEMAN
 "I know exactly how you feel. I'm a Boomer, too."



*"Are you the one with the preëxisting condition or
 the one with just the existing condition?"*

Economics and Love: The Perfect Match?

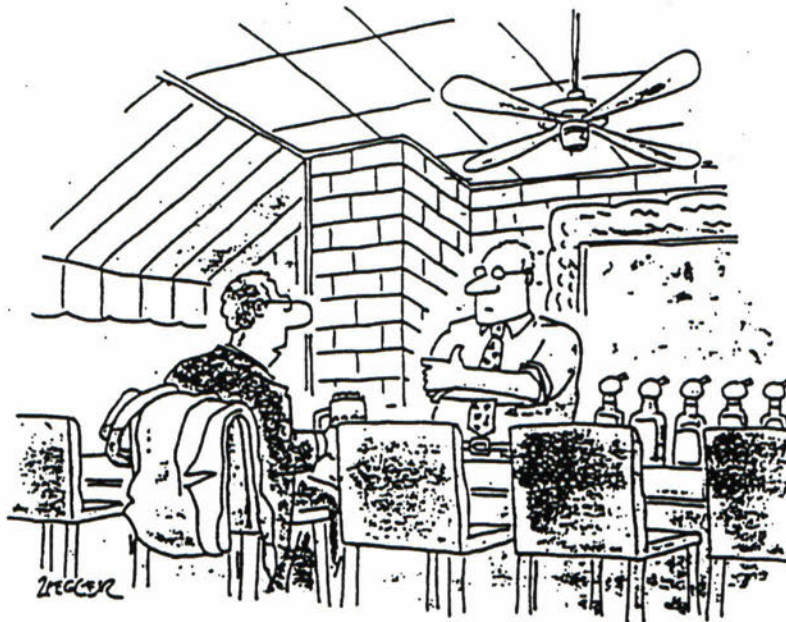


"You'll always be much more than a commodity to me."

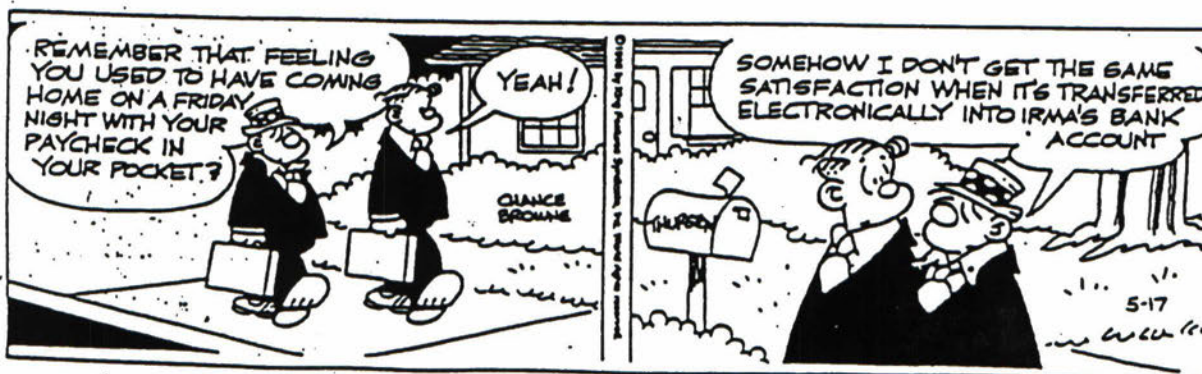
Jeff Stahler
The Cincinnati Post
Newspaper Enterprise Association

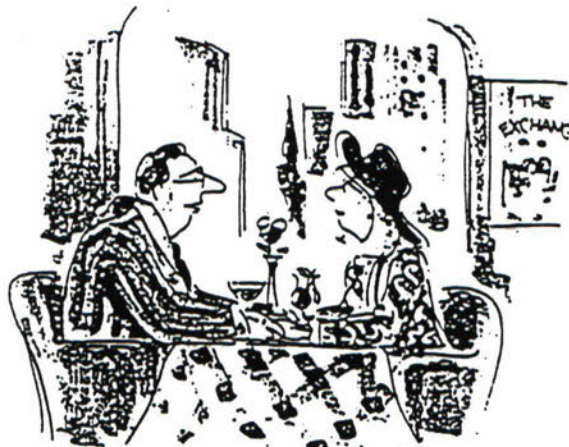


"Your wonderful daughter and I would like to become engaged in F.Y. '97, married in F.Y. '98, and, if the numbers look good, start a family in F.Y. '99."



"Right now we're at a budget impasse. I maintain that you provide an essential service, and my wife feels that you do not."





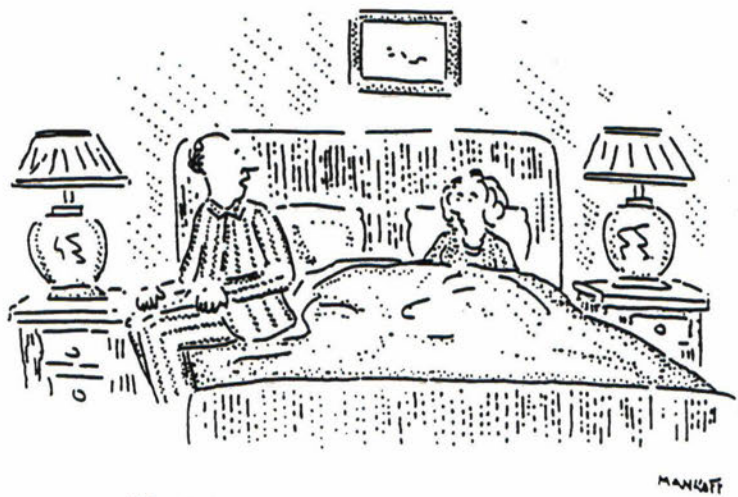
Ronald Searles

"It's only fair that I warn you, Margaret. I'm very subject to market fluctuations."



MANKOFF

"Look, all I'm asking is that we let market forces bring a greater degree of efficiency into our marriage."



MANKOFF

"I can't sleep. I just got this incredible craving for capital."



"I've decided to outsource my emotional needs."



"My God, Ellen, I didn't think our relationship was so interest rate-sensitive."

Kids- You Gotta Love 'Em



"We can all write stuff on the shopping list, but
Mom has a line-item veto."



AS THE WAGE EARNER HERE, IT'S YOUR RESPONSIBILITY TO SHOW SOME CONSUMER CONFIDENCE AND START BUYING THINGS THAT WILL GET THE ECONOMY GOING AND CREATE PROFITS AND EMPLOYMENT.



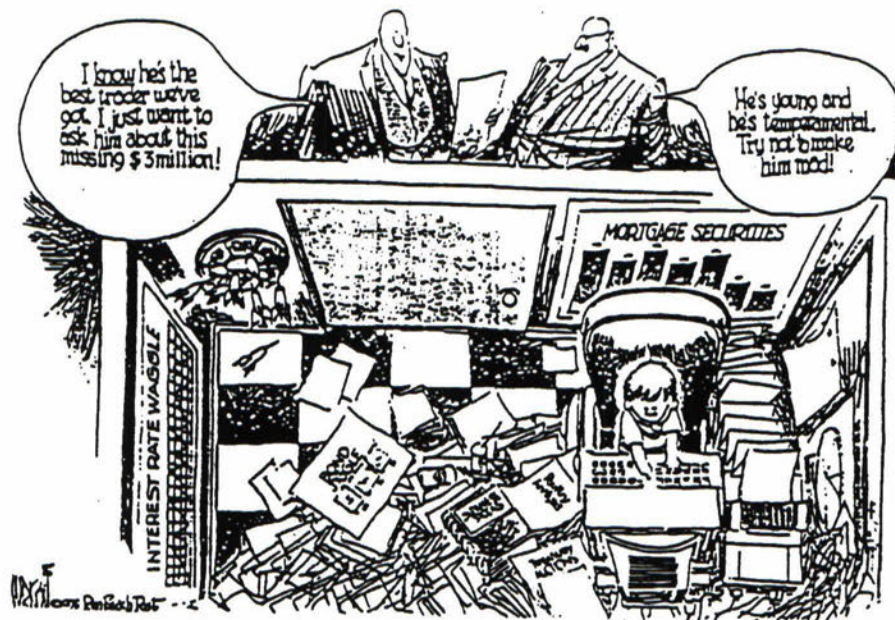
"Here's a leading economic indicator, Dad. It's only Tuesday and my weekly allowance is shot."





"Must you tell us what our daily share of the national debt is every time we sit down to dinner?"





"Dad, the dean has gone over your financial statement, and he doesn't think you're working up to your full potential."

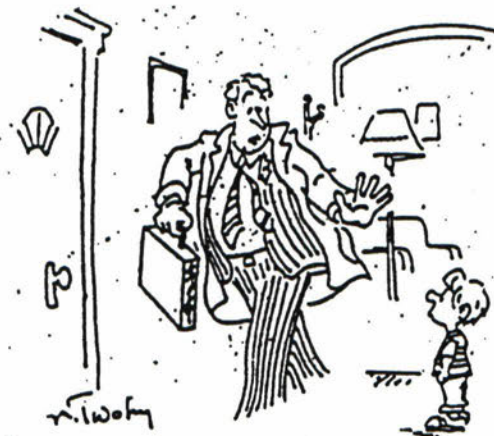


"What's this I hear about you adults mortgaging my future?"



"Daddy's not mad at you dear— Daddy's mad at the Fed."





"Later, Josh—these are Daddy's
peak earning years."



*"As a nation, we may be spending our children's money,
but at my house it's the other way around."*



"Son, they say your generation doesn't have as much to look forward to as my generation did. Do you want to talk about it?"

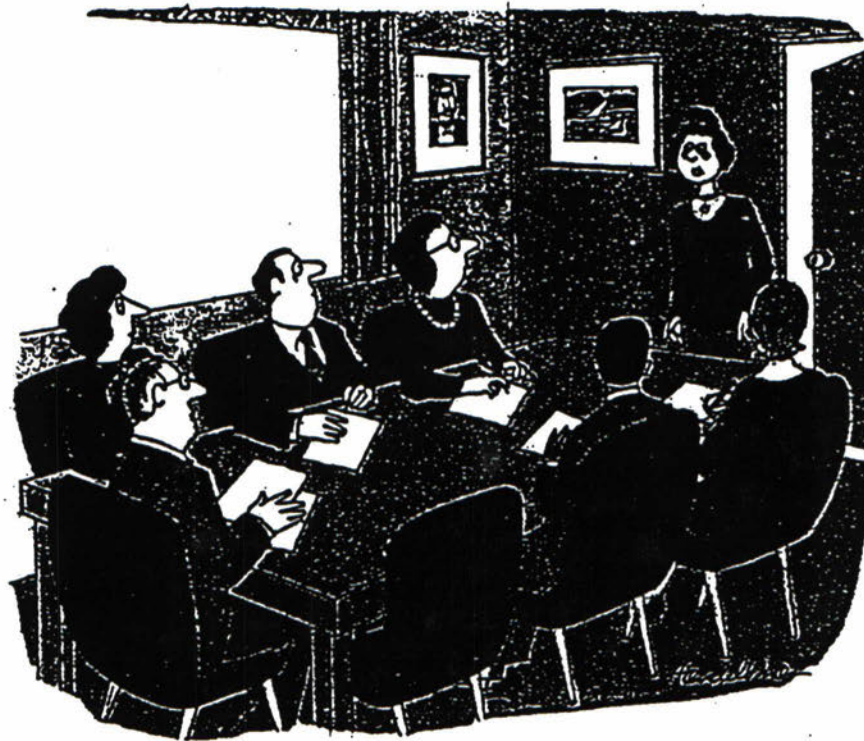


"By the way, Son, as someday you'll be paying for my entertainment, I'd like to thank you in advance."

Economics: Divine... or Demonic?



"And the Lord said, 'They shall gradually, so as not to cause unemployment, beat their swords into plowshares.'"



"You'll have to proceed without Mr. Larson. He looked back at the Reagan years and turned into a pillar of salt."





"Remember, this is a one-shot, not an entitlement."



"Won't all these new rules impact adversely on the viability of small businesses with fewer than fifty employees?"



*"Congressman, our people would look upon it favorably
if you were to oppose any additional sin taxes."*



"On the other hand, it's great to be out of Washington!"

The Tax Man Cometh



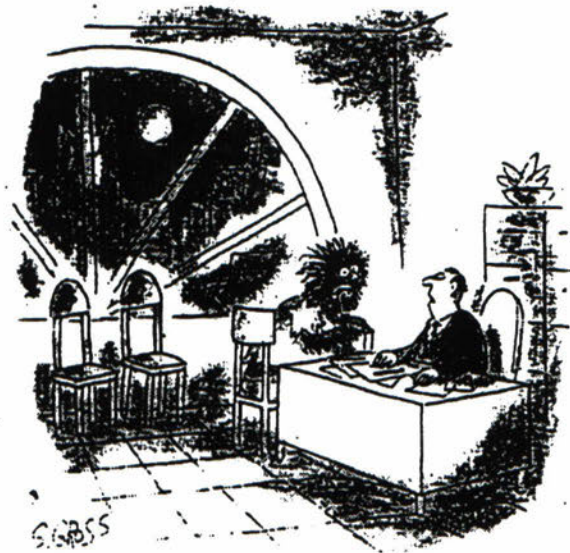
"I'm sorry I'm late for my audit ... I was abducted
by aliens and they confiscated my records ..."



"Very frivolous. Do you know the penalty for being frivolous?"



"My mistake was writing to the I.R.S. to thank them for not auditing me that year."



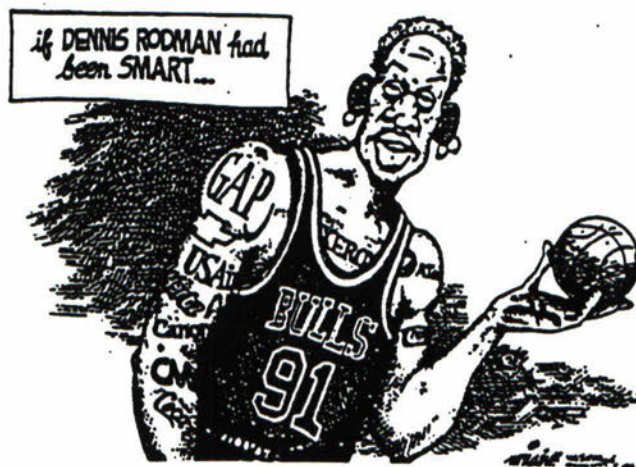
"You can elect to file on a calendar year or a fiscal year. Nobody files on a lunar year."

Diversify, Diversify, Diversify





"Well, how about this: We take from the rich and invest!"



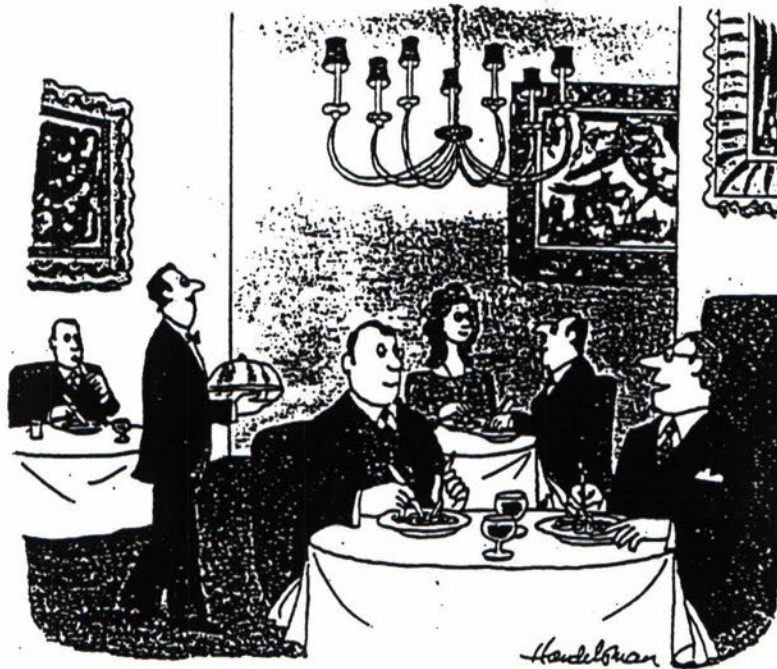
The Class Struggle



"There is a perfect example of what is wrong with this country today."



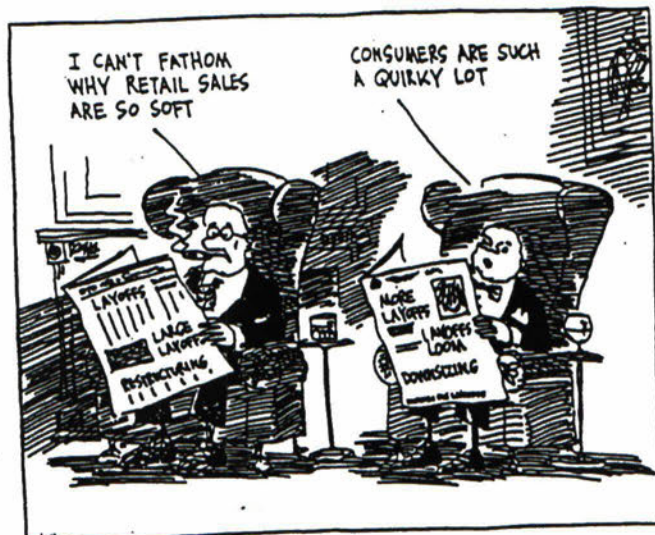
"There is a perfect example of what is wrong with this country today."



"I'm rather fortunate. I have no parents, so Medicare is no problem, and I have no children, so the environment is no problem."



"I've been thinking about the flat tax and how it would inflict hardship on the poor, and I can live with that."

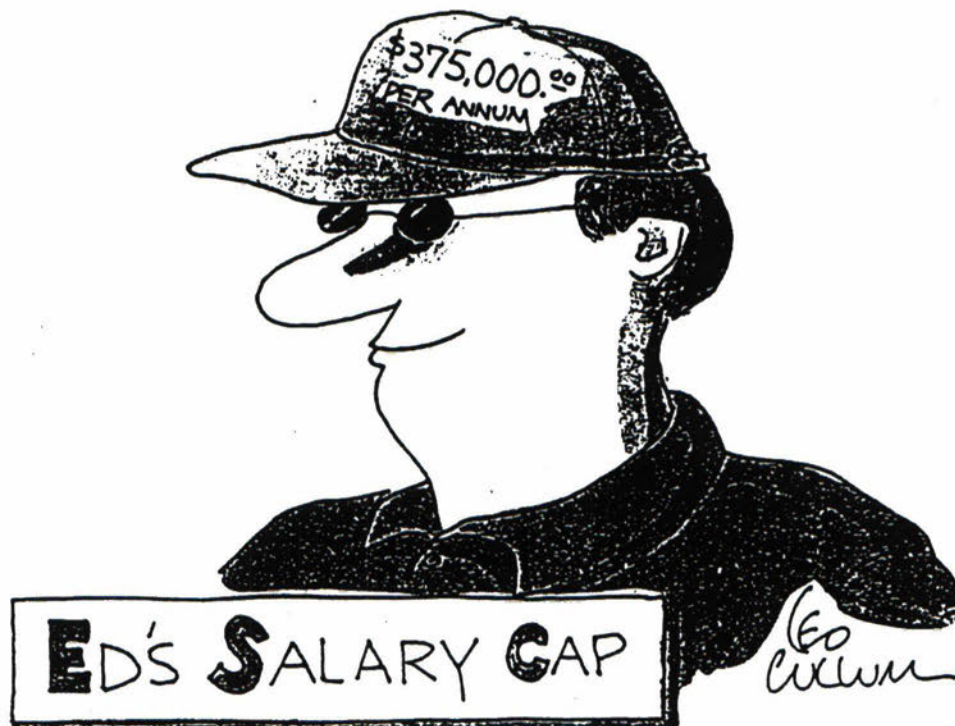




"Sorry, but I'm much too successful to carry cash."



"...and over all those years, I always found time to stop and pick the flowers."



THE WALL STREET JOURNAL



"Well, so long Eddie, the recession's over."

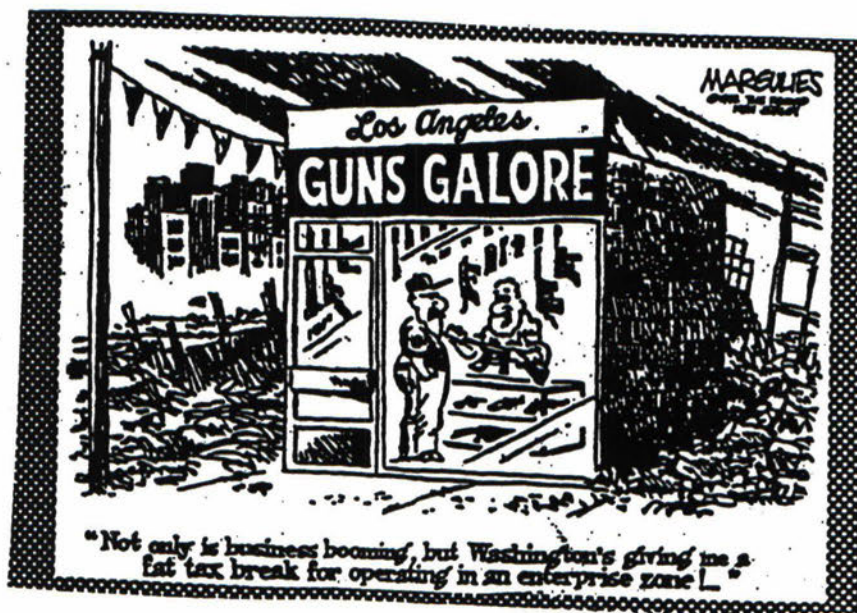
Small Business



*"My father had a saying: 'If you sell a man a fish, you'll make a good living;
if you teach a man to fish, you're stupid.'"*



"We jacked up our prices to insure that you receive the same quality and service in the future."



"Not only is business booming, but Washington's giving me a fat tax break for operating in an enterprise zone."

Political Hodge-Podge



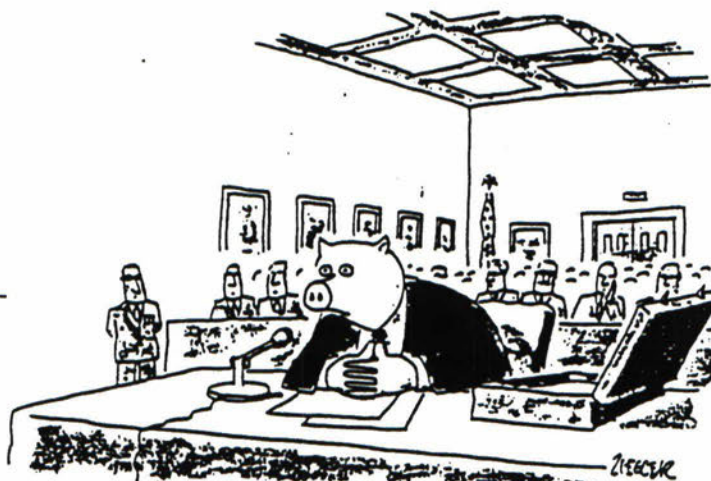
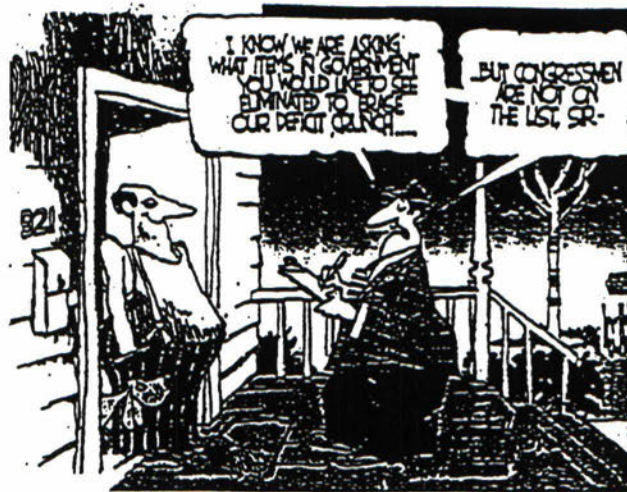
"At last! After all the debates and polls, it's back to real politics!"



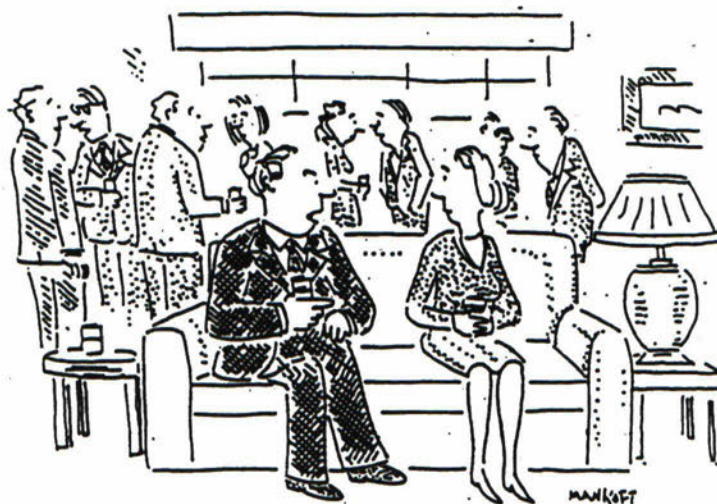
*"If you are a Democrat, Mrs. Hooper-Smith
does the Macarena during your pancakes."*



*"I think you may be getting them mixed up—Perot is the one
with charts, and Perdue is the one with chickens."*



"Your constant cries to cut the pork sadden me, Senator."



"Look, the people have spoken. They don't want to be bossed around by federal bureaucrats—they want to be bossed around by state bureaucrats."