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WHITEWATER

APPOINTMENT OF FISKE AS SPECIAL COUNSEL

I look forward to the special counsel getting underway. We have cooperated fully and voluntarily with the investigation thus far, and we will continue to do. I am confident that the outcome of this investigation will confirm what we have said -- we have done nothing wrong.

GENERAL TALKING POINTS

Hillary and I have done nothing wrong. There aren't even any charges or credible allegations that we have done anything improper. We have been forced to respond to innuendo, stale gossip and unsubstantiated allegations. These are so hard to rebut: Mark Twain once said, "A lie gets halfway around the world before the truth has time to put on its boots." Here is what is so frustrating to me: We are being investigated not because anyone has charged that we have done something wrong, but to prove that we have done nothing wrong.

Whitewater was an investment on which we lost money, one that was nothing but a headache for us from beginning to end. All of our conduct was proper, and we paid back all loans. And again, nobody has alleged anything to the contrary with any degree of credibility.

From the beginning, we have fully and voluntarily cooperated with the Justice Department investigation. We will continue to do so now that a special counsel will be named. And I am confident that the outcome of the investigation will confirm that we have done nothing wrong.

I asked for a special counsel because we simply could not allow our energy and attention, or that of the White House staff, to be diverted from the real needs of our country. The American people don't want endless wrangling over a long-ago land deal. They want action on the problems that affect them -- health care, violence, jobs. We're going to focus on what really matters.

Beyond that, it wouldn't be appropriate for me to comment further on this matter.

SPECIFIC QUESTIONS AND ANSWERS ON WHITEWATER

NOTE: Of course, it is strongly recommended that you not answer specific factual questions about Whitewater, using the appointment of a special counsel as a legitimate way to deflect questions.

Did you use political pressure to see that Madison Guaranty S&L, owned by your business partner James McDougal, would be treated with special leniency?

The regulation of Madison Guaranty S&L was proper -- and no one has made any charge to the contrary. There is not a single factual allegation that I took any steps whatever to ease regulatory pressure on Madison.

- It was my appointee -- Beverly Bassett, the state securities commissioner -- who asked the federal government to put Madison in receivership.
- Along with federal regulators, it was Bassett who pushed James McDougal out of Madison.
- Even the Wall Street Journal concluded editorially that "there is no evidence that Governor Clinton urged [regulators] to go easy."

To be sure, in retrospect the regulation of savings and loans all across America was flawed during the 1980s, and Arkansas did not escape these national problems. Too many thrifts failed, and too much taxpayer money was lost. But Bassett was a diligent regulator, seeking to cope with a bad situation. To suggest that political pressure prompted her to treat Madison with any particular deference is absurd and not supported by any evidence.

Did Mrs. Clinton or the Rose Law Firm have a conflict of interest in representing Madison or the FDIC?

Absolutely not. Hillary did nothing improper, and neither did her colleagues at the Rose Law Firm. I do not believe there was a conflict of interest.

As for the representation of Madison, Hillary represented them one time, in a limited fashion on one matter, seeking to get a ruling of law. There was nothing illegal or unethical in this representation. And in any event, neither the client nor the law firm received any special treatment from the state regulator.

As for the representation in the lawsuit against the accounting firm, the Rose Law Firm says that it fully disclosed its previous representation of Madison to the FDIC.

You claim that you lost money in your Whitewater investment. If so, why did you not claim the loss on your tax returns?

- We did, in fact, lose money in that ill-fated real estate deal -- a fact confirmed by an independent accounting firm, Patten, McCarthy, and Associates, which examined Whitewater-related documents during the campaign.
- And we did take deductions for some of the loss -- over several years, for interest we paid on the loans.
- As for the rest of the loss, we did not incur it until we sold our interest in Whitewater in 1992. Because of the operations of the tax laws, the tax benefit would be relatively small. We concluded that the relatively small potential tax benefit would not be worth the accounting fees, paperwork headaches -- not to mention the reopening of a campaign issue -- associated with taking the loss.

Did the White House "cover up" in the wake of Vince Foster's suicide last year? In particular, were files related to Whitewater improperly removed from Mr. Foster's office after his death?

No files were removed from Vince Foster's office without first being identified to law enforcement officials. Soon after Foster's suicide, White House Counsel Bernard Nussbaum sorted the contents of Foster's office, in the presence of law enforcement officers. He identified our personal files to the investigators. They were then sent to our personal lawyer. There never were any "missing" files, and no law enforcement official requested those files from Mr. Nussbaum or anyone else. In December, we voluntarily agreed to turn over the files relating to Whitewater to the Justice Department.

Foster's suicide had nothing to do with Whitewater. The matter is nowhere mentioned in the note Foster wrote prior to his death. It is ghoulish for political partisans to use the tragedy of Foster's death to hype interest in these matters.

Did McDougal funnel illegal contributions from Madison to your campaign in 1985?

Every single check received at the fundraiser was proper on its face -- from an individual, within legal limits. Only three checks were Madison cashiers checks. Now, one individual whose name was on a cashier's check, Ken Peacock, says that he was unaware of the contribution. That came as a surprise to the us. We had no reason whatsoever to think the check was not Peacock's. I certainly have no knowledge whatsoever of any illegal contributions.

Did you urge David Hale to make an SBA-backed loan that eventually may have benefitted Whitewater?

David Hale is under indictment for defrauding and making false statements to the federal government, acts that allegedly took place in 1988. As Hale sought to plea bargain last year, he began charging that he had been urged to make improper loans by several Arkansas business and political figures. Recently, when on the verge of being indicted, he said that in the mid-1980s, I urged him to make a loan to Susan McDougal, Jim McDougal's wife. That is not true. I never urged him to make any loans to the McDougals. (McDougal says he used part of the loan to buy land; he briefly put the land in the name of Whitewater before moving it to another of his companies. He acknowledges that he never told the Clintons about the deal.)

MEMORANDUM

TO President Clinton

FROM Mandy Grunwald

DATE January 18, 1994

RE One Year Anniversary with Larry King

1. You have not had an opportunity to speak directly with the American people in prime time since the NAFTA debate. Many of the things you have focused on and spoken about since then have only been communicated to the American people through the filter of the evening news or the morning papers. They have never heard you speak about crime or the breakdown of family and community; they have never heard your view of the year's accomplishments, and it has been since September that they heard your view, not your opponents', of what you're trying to do with health care.

This is a great opportunity to speak to all of those issues, but be careful not to start in the middle of the story or speak in legislative process terms. The American people don't know who Jim Cooper is or what's in the Senate versus the House version of the crime bill. They just know they could lose their coverage tomorrow or get shot on any street in any neighborhood, and they're wondering what you're doing about it.

We discussed in the political meeting yesterday what points to emphasize on each of these issues, and we can discuss that further as you prep for the show. The rest of my comments are less about policy than about the kinds of non-policy questions you're likely to get from Larry King and his callers.

2. Remember that Larry King asks a lot of open ended questions: What was the worst moment of the year? What was the best? What are you proudest of? What surprised you most? You always have a choice with these kinds of questions to give a policy/process answer or a personal answer. I think this is a good forum to pick some moments to emphasize the personal.

- * For example, the "worst moment" could be the death of the troops in Somalia or the loss of the stimulus package, or it could be the deaths of your mother and Hillary's father.
- * The "hardest part of the year" could be dealing with the forces of the status quo, or you and Hillary helping Chelsea adjust to Washington and all that's happened to your family.

Obviously, you don't want to go too far with this approach -- it can sound self-involved, and certainly conveying your focus on the American people and their struggles is always critical, but I thought the most compelling part of Koppel's series from your trip, was your description of the counterpoint between the personal and professional pressures of the moment. Giving people a window into you and your family is an important way of dealing with the character assaults you've been getting.

3. There are probably going to be a lot of pop culture questions. This is a weird time in this country. Tonya Harding and Nancy Kerrigan led the evening news the night you agreed to a special counsel on Whitewater. 30,000 people called in to A Current Affair's telephone poll on whether Harding should go to the Olympics. 78% said no. CNN ran the Bobbitt trial all day for several days last week. Court TV's ratings for the Menendez trial and the Bobbitt trial have been extraordinary. Michael Jackson. WACO. It's hard to tell the New York Times from the National Enquirer.

But as fascinated as people are by all of these tabloid stories, I don't think people know quite what to make of it all. I think it's important that you demonstrate familiarity with any of these stories you get asked about, but that you also give people some broader framework, some moral context to understand what's happening.

4. You are also likely to be asked about Whitewater and the troopers. Other people, I'm sure will have more specific advice. I think the most important question the American people have about Whitewater is not whether you're guilty of something, but why you seem to have something to hide. I think you need to explain your reticence -- to hand over papers, to ask for a special counsel etc. Body language and tone here, as with the trooper story, is almost more important than substance. In some ways, the most difficult moment in the trooper episode was your radio interview, where you appeared to be inarticulate and hesitant in answering the basic question. Therefore, clarity, calm and cutting to the real issues is what matters most.
5. In much of the country, the most compelling issue Thursday will be the weather and the force of nature. You'll obviously be able to talk about what you saw in California, but it's also important to talk about the cold wave, particularly the importance of neighbors looking out for senior citizens who are at special risk in this kind of weather, communities looking out for the homeless. I assume Hazel O'Leary and Henry Cisneros have provided you some kind of update about what the administration is doing.
6. Finally, I've never seen Larry King last an hour without asking about Ross Perot. Maybe it will come in a NAFTA question. Maybe a political one. Just be ready and don't pick a new fight.

THE WHITE HOUSE
WASHINGTON

January 19, 1994

MEMORANDUM FOR THE PRESIDENT

From: Ann Walker, Paul Meyer

Subject: Larry King Live

The following are excerpts from statements you made in past appearances on "Larry King Live."

HEALTH CARE

Under our system, we will move to an all-payer system, where the reimbursement rates are the same. We will regulate less on the front end, and evaluate more on the back end. We will put Medicare and Medicaid patients into big pools of managed care, so that you will have- We'll have private doctors, private health care providers, and private insurance, but we're going to make some changes in the rules governing insurance to cut out excessive administrative costs and profits there and simplify, deregulate, the front end of medical care. I don't like the government micro-managing health care. You will like it much better under my system.

I developed a health care plan after consulting literally with hundreds of physicians. And the plan that I've advocated is roughly like the one supported by the American College of Physicians and the American Academy of Family Practice. So, your life would be less regulated, and the government reimbursements would be more even with private sector. (10/28/92)

ECONOMY

Taxes

If you make over \$ 200,000 a year, under my plan, for that portion of your income over \$ 200,000, the maximum tax rate would go from 31 to 36 percent. But you'd have a way to lower your tax burden, if you invested in a new business, in new technologies, in new plant and equipment. In other words, if you invested in things that increased the productive capacity of America and put Americans back to work, you could get a bigger tax break, by far, than you can get now. So, America would be better off because the only way you could lower your tax break would be by increasing jobs and incomes for the rest of Americans. (10/28/92)

Tax Incentives For Business

I want to...give companies tax incentives to continually invest in new plant, new equipment, and retraining of their workers, instead of to subsidize the kind of mergers and takeovers and destruction of people's lives that were subsidized by government policies in the '80s. (10/28/92)

Taxing Foreign Corporations

But I think when people come here [U.S.] and do business and earn money here, they ought to pay the same taxes American companies do. I don't think it's fair for them...70% of the foreign companies located in this country didn't pay any taxes last year, and I just don't think that's fair. (10/28/92)

Helping Small Business

I want to make your **tax liability smaller** if you invest in expansions. If you buy new trucks or you start a new enterprise, under my tax system you'd get a much bigger break than you do now. So, the government would lower your tax liability for the cost of your expansion. I want to **reorganize the banking system** in this country so that we have a whole series of community banks that make more loans to small businesses ... I want to **end the credit crunch** for small businesspeople ... I hope we won't have to do it with legislation. I think we can do it with some changed regulation, but we may have to change the legislation. But the credit crunch is the biggest problem we've got.

Balanced Budget

I would present a **five-year plan to balance the budget**. I would do it in the same way I've done it for 11 years in Arkansas. You know, I've already cut spending twice since I've been running for President. If the money is not coming in, there ought to be an automatic mechanism by which you can restrain spending. And if they appropriate money up there they just go on and spend it, whether the money comes in or not...I would impose that kind of discipline. I'd have spending cuts. I'd have revenue increases on people with very high incomes, whose taxes went down in the 1980s while their incomes went up. And I would have real increases in investment to put this country back to work. (6/4/92)

WELFARE

We would invest in people on welfare, in their education and their training. We would support their children through medical coverage and childcare. And then, we would require them to take jobs. I would go one step further... I would say that, once you educate somebody and once you support their kids, if they can't get a job in the private sector after a certain amount of time, then they ought to have to do community service work to keep drawing an income from the government...

I think the states ought to be free to experiment, but if you want to really change it what you've got to do is empower people on welfare to go to work without hurting their children - that is, train them, and take care of the kids through health care - and then require them to do it. Make work the rule at the end of the rainbow for welfare. (10/28/92)

DEFENSE CUTS

I propose to cut about \$ 60 billion more than Mr. Bush does out of defense over a five-year period. Most of it would be in reducing the number of our troops in Europe, in spending less on the space portion of Star Wars, and in having fewer carriers. I don't think we need as many full carriers. (10/28/92)

Most of the cuts in my budget in excess of his would be in fewer troops in Europe and less money spent on the space-based portion of Star Wars. I would emphasize maintaining a strong and well-prepared force here at home, maintaining a very strong lead in high technology, and increasing our sealift and airlift capacity and our mobility. (10/5/92)

I support Senator Nunn's bill to give [early-out] incentives: first of all, early retirement incentives to people who would voluntarily take that retirement from the service; and secondly, to give people who have really got some years built up the opportunity to do work here at home - say, as police officers or teachers - and earn military retirement while they're doing it. (10/5/92)

FOREIGN POLICY

Haiti

I don't believe the Haitians should be sent back to Haiti, and I don't think their lives should be put at risk. I think they are political exiles and I think they should be treated as such until we can bring back an elected government to Haiti. (6/18/92)

Bosnia

Well, I would be guided, I think, by what our European allies think and what kind of consensus we could get through the United Nations. I think we ought to try to get a ceasefire and I think we ought to be prepared to be flexible about what the conditions of a ceasefire are ... I wouldn't rule [committing American troops] out, if it were part of a U.N. peacekeeping force and if it were to enforce a ceasefire. (6/4/92)

ETHICS

My policy is that no one who works in my Administration can lobby for foreign interests or for domestic interests. And when they leave my Administration, if they're in senior positions, they're going to have to wait several years before they can lobby for foreign interests, and a couple of years before they can lobby for anybody again. (10/28/92)

THE WHITE HOUSE

WASHINGTON

January 19, 1994

MEMORANDUM FOR THE PRESIDENT

From: Ann Walker, Paul Meyer

Subject: Larry King Background and Overview

Following is an overview of recent developments relating to Larry King and his shows. (See attached AP story on Larry King's background and recent comments)

LA. EARTHQUAKE

Larry King was in LA to receive a Cable ACE Award when this week's earthquake hit. Tuesday, in his weekly USA Today column, he recounted his experience. "If you've never been in an earthquake, whatever you've imagined it's like is correct. Everything moves. The walls move, you think the building is going to fall. There is a rumbling sound somewhat like thunder, if you could picture thunder below you instead of above you. It lasted, they say, maybe 30 seconds. It felt like five minutes...It is terrifying because you have no control at all...You have no warning and you can't escape it."

KING'S NEW BOOK: *On The Line: The New Road to the White House*

Larry King's new book, On the Line: The New Road to the White House, looks at the way talk shows gave politicians unprecedented direct access to the public during the 1992 elections. Written with former Washington Post researcher Mark Stencel, On the Line includes interviews with Al Gore, Ross Perot, Dan Quayle and Paul Tsongas, James Carville, John Sununu, Marlin Fitzwater, and Phil Donahue. "The chance to communicate directly, unfiltered by the press, is talk TV's biggest draw for politicians," King and Stencel wrote.

King talked about the influence his show and others had on the electoral process. Who among the current field came the best prepared? Clinton, King said without hesitation. The fastest on his feet? Mario Cuomo. And who makes the best presentation, gets his message across the best? "Hubert Humphrey was fantastic," King said. "Early [Barry] Goldwater was very good. Mo Udall was great before he got sick." Of the current players, King cites Senate Minority Leader Robert Dole as being "pretty good."

King called his extended interview format a "pretty good look at a person. I think if you watch people on a show like ours, you can get a pretty good gauge on sincerity and insincerity - especially those who come on a lot. I think we're a pretty good gauge; today we are the gauge."

TOWN MEETING ON CRIME

On January 6, King hosted a 90 minute town meeting on crime in America at the St. Teresa Church in Anacostia. Janet Reno, Lee Brown, Bill Cosby and several community leaders attended the show. Jessica Bradford, the 11 year old featured in the Washington Post for planning her funeral attended the event. She explained the conditions under which she arrived at this level of hopelessness.

"...I'm hanging around my neighborhood and it's very dangerous stuff. I mean, you never know what can happen to me. That's why I would say if I die, I mean, this is the way I want my funeral, this is the song I want to be played..."

Cosby blamed rising crime rates on education inequalities. "I cannot understand how born here, raised here, that I am a different person. That I am damned near a different nation. I cannot understand how the education of this United States of America has been told time and time again, either make it separate but equal, or integrate, therefore it will be equal, and it has been separate and unequal."

RATINGS

The debate between Vice President Al Gore and Ross Perot drew the highest rating ever for a presentation of "Larry King Live." The 90-minute debate received an 18.1 rating in the 62 million households receiving the network. With each CNN rating point being equivalent to 620,000 households, it means about 11.2 million households were tuned in. The previous highest-rated "Larry King Live" show, outside of the Persian Gulf War, came on Oct. 5, 1992, when then-Governor Bill Clinton was the guest, drawing a 4.2 rating. Other high-rated shows last year were interviews with the President, Michael Durant, Michael Jordan, Ross Perot, and Margaret Thatcher.

RADIO SHOW

In December, the Washington Post reported rumors that Larry King planned to quit his daily radio show. King's contract with Mutual Broadcasting System expires October 1.

AM-The Interview King, Bjt, 1294

Larry King: Still Curious After All These Years

Eds: Also moved in advance as b0456 Jan. 17

AP Photo WX103 of Jan. 17

By JILL LAWRENCE= Associated Press Writer=

WASHINGTON (AP) The world has yet to come up with something that bores the Everyman of interviewing. From thigh cream to street crime, from Bill Cosby to Bill Clinton, Larry King wants to know all.

Does that cream truly make your thighs shrink? Why are our kids killing each other? What's Sharon Stone really like? How does Bill Clinton think he's doing after year one?

Tune in Jan. 20 to get the answer to that last question. The president is scheduled to spend the first anniversary of his inauguration on CNN's Larry King Live.

Top U.S. officials, visiting foreign dignitaries, politicians, celebrities, doctors, authors, soldiers, everybody stops these days to chat with Larry. And he's still curious after all these years 37 of them in radio.

"I'm the kind of person you don't want to sit next to on an airplane," King says, and launches into a story about coming home from Europe on the Concorde.

"The pilots were fans and they invited me to sit up front with them," he said. "I sat up there for the whole three hours and 30 minutes. When I got out of there I could see them looking at each other like 'Never again will we invite this guy up front.' What's this? What's that? Why you doing this? Who you talking to now? What's over there? What's down there? I've always been that way. I never stop."

It's true.

Six times a week he's on CNN with his hour-long interview and call-in show, seen by about a million people a night in the United States and is available in 140 million households in 200 countries around the world. He does a daily three-hour show on Mutual radio, carried by 400 stations. He gives a couple of speeches a month at \$50,000 each. He writes books. Once a week USA Today publishes a potpourri of his thoughts on Hollywood, Broadway, sports, politics, restaurants and life.

The array of subjects is dizzying. The day King did thigh cream and "the importance of looking good" on the evening TV show, his afternoon radio program featured James Earl Jones and a woman who started a campaign to give food vouchers to the homeless and a Treasury Department official discussing a proposal to increase taxes on gun dealers. Then the phone lines opened up for questions on anything.

There's only one way to fit all this in: without undue preparation.

"I always wing it," King says. "I like to be surprised. My dream show would be where I don't know who the guest is at all. The curtain opens up, the guest comes through the curtain."

This approach occasionally leads to a pivotal moment, but often the results are less than penetrating. King opened and closed a recent show on violence, for example, by asking Attorney General Janet Reno, "What's going on here?" and "What are you going to take away from here tonight?" A sense of hope, she replied to the latter.

The softball questions usually lobbed by King and his callers make journalists gnash their teeth. But guests love it.

"People are comfortable coming here. They know they're going to get asked good questions in a comfortable atmosphere. They're not out with someone who wants to hit them over the head," King explains. "And I'm not interested in slime. I don't care who someone slept with last night unless they wrote a book about it and wanna talk about it as the subject of their appearance."

King's musings in print have the same feel. One recent USA Today column featured a "department of kvelling" to announce his daughter had been admitted to an honor society.

He's raved about a New York eatery's "swordfish steak to die for" and wondered if "any doctors still say take two aspirin and call me in the morning?" One column concluded, "I just realized that I've read every book Dick Francis has written."

All right, all right. We all have our bad days. And King has had some pretty spectacular days.

Few thought he could top 1992, when he functioned as the presidential campaign's master of ceremonies. Ross Perot virtually declared his candidacy on the show. Clinton was on, and so was President Bush.

But 1993 was even better: Clinton in June. Hillary Rodham Clinton in October. Margaret Thatcher, Mikhail Gorbachev, Michael Keaton, Michael Jordan and Michael Durant, the pilot shot down in Somalia, all in one week in November.

Then came the highest moment of all the debate between Ross Perot and Vice President Al Gore on the North American Free Trade Agreement. They were followed a couple of weeks later by, of all people, the head of the CIA.

What's in store for '94? King says a friend has a modest proposal: "We go to Bosnia and bring peace and they sign the agreement on Larry King Live."

King is the first to say he aspires to entertainment rather than journalism. He even does a mea culpa in his latest book "On the Line" for letting Dan Quayle get away with a chronologically impossible explanation of why President Bush agreed to a tax increase in 1990.

Cynical he is not. He's never turned down a guest. And he has good things to say about everyone. "I'm not jaded," he says. "You gotta be what you are."

In sometimes jarring displays of on-the-air palhoo, King calls guests by their first names. The attorney general is "Janet." The vice president is "Al." The governor of New York is "Mario."

It's hard to switch to "Governor" on the air, King says. Same with Mr. Vice President. "I know Gore 15 years," King says. "He's always been Al." Besides, he says, they all call HIM Larry.

Who is Larry, this man in his trademark spectacles, shirtsleeves and suspenders? He was born Larry Zeiger in Brooklyn. His father died when he was 10; his mother was on welfare and worked in a sweatshop. He never went to college. One of his first radio jobs was as a sportscaster.

King's CNN office and suburban Virginia condo are plastered with pictures of himself with the greats. But the condo is modest and the office is downright tiny. What's more, he shares it with one of his producers (she works days, he works nights).

His tastes are unabashedly Main Street and he is up front about his attitudes toward money and celebrity and attention. He likes them. A lot.

His radio show is easy and the money is good, he says, and he doesn't mind reading the commercials that come with the territory.

King's close friends and associates are tremendously protective of him. Even competitors don't begrudge him success that took a long time to arrive.

"Big-time wealth and fame have come late to Larry King. It didn't happen to him when he was 26. He's an inspiration to all of us," says fellow talk-show host Phil Donahue, who is 58.

King is 60 and has two grown children. He's been through five divorces, a heart attack, a triple bypass, even a bankruptcy. In December he lost a close friend, his longtime agent Bob Woolf. It made him think about slowing down. He's planning to quit radio when his contract is up in October.

-END-OF-AUTOBREAK(1)-

-AUTOBREAK(2)-FOLLOWS

**** filed by:APE(--) on 01/19/94 at 12:46EST ****

**** printed by:WHPR(PMEY) on 01/19/94 at 18:52EST ****

NATIONAL ISSUES UPDATE

KERRIGAN ATTACK

Figure skater Tonya Harding claims to be innocent of any wrong doing in the attack on her rival Nancy Kerrigan. Harding's ex-husband, Jeff Gillooly, was arrested Wednesday. The alleged attacker, Shane Stant, was arraigned Tuesday on conspiracy and assault charges. In a hearing Tuesday, the FBI and DA questioned Harding for 10 1/2 hours during which she denied any knowledge of the attack. Skating officials said that no action will be taken on Harding's status until at least next week but Harding says she plans to skate at the Winter Olympics.

BOBBITT TRIAL

The defense contends that years of physical and sexual abuse by John Bobbitt led to Lorena Bobbitt's attack on him. Expert witnesses disagreed over her contention that she was temporarily insane. Mrs. Bobbitt could get up to 20 years in prison if convicted. CNN covered this trial live last week -- even preempting coverage of your European trip, the Moscow Summit and Inside Politics.

COLD WEATHER

Since Friday, at least 72 deaths have been blamed on the record low temperatures recorded across the U.S. Most of the victims were killed on icy roads or had heart attacks shovelling snow. Thousands of people from Kentucky to Maine have been without electricity and water. Utilities serving 21 million people from Washington, D.C. to New Jersey have instituted rolling blackouts and asked customers to sharply cut back their use of electricity.

THE CLINTON ADMINISTRATION FIRST-YEAR ACCOMPLISHMENTS

'Our democracy must be not only the envy of the world but the engine of our own renewal. There is nothing wrong with America that cannot be cured by what is right with America.' (Inaugural Address)

SUMMARY

'Profound and powerful forces are shaking and remaking our world, and the urgent question of our age is whether we can make change our friend and not our enemy. ... We know we have to face hard truths and take strong steps.' (Inaugural Address)

From day one, President Clinton and Vice President Gore have broken the gridlock that paralyzed Washington for years. Working effectively with Congress, they have laid a solid foundation for economic recovery and made a strong start on achieving the President's key priorities.

The President and Congress had a remarkable year. *Congressional Quarterly* found that legislation on which the President took a stand passed 88.6 percent of the time, the highest first-year success rate since President Eisenhower in 1953. Another found that the President won tough votes at an even higher rate -- over 90 percent, better than the record of President Johnson in 1965. Bi-partisan support was crucial to the passage of key legislation such as National Service, NAFTA, the Family and Medical Leave Act and flood relief. For only the second time in 60 years, there has been no Presidential veto. Below are some highlights:

- o The Economic Package. Signed into law on August 10, 1993
- o Family and Medical Leave Act. Signed into law on February 5, 1993
- o The Student Loan Reform Act. Signed into law on August 10, 1993
- o The Brady Bill. Signed into law on November 30, 1993
- o Crime Bill. Passed both Houses by November 19, 1993
- o Health Care Reform. Introduced on November 20, 1993
- o National Service. Signed into law on September 21, 1993
- o NAFTA. Signed into law on December 8, 1993
- o GATT. Agreement reached on December 15, 1993
- o Campaign Finance. Passed both Houses by November 22, 1993

REBUILDING THE ECONOMY

"We have to ask everyone to contribute something to get the job done. But we're going to ask the most from those who got the most and gave the least during the past dozen years, those at the top of ladder. And we're going to do everything we can to protect people who are suffering the most from declining incomes and vanishing jobs, the middle class and the working poor. " (First Radio Address)

MORE JOBS

Jobs are being created at the fastest rate in 4 years. In the first year of the Clinton Administration, more than 1.6 million new private sector jobs have been created -- over half a million more than during the previous four years.

- o Unemployment dropped to 6.4 percent in December, 1993 -- a three-year low.
- o In the first year of the Clinton administration, the economy has generated 164,000 new payroll jobs per month -- four times the average pace over the previous four years.

HISTORIC DEFICIT REDUCTION

- o Passed the largest deficit-cutting plan in history -- more than \$500 billion over five years.
- o The deficit reduction package included \$255 billion in specific spending cuts and an unprecedented "hard freeze" -- a 12 % real reduction -- on all discretionary spending.

LOWER INTEREST RATES

American consumers are benefitting from low interest and mortgage rates that make it easier to buy a home and reduce the burden on those who already pay their mortgages.

- o Spurred by the deficit reduction plan, interest rates have fallen sharply. In the last year, 10 and 30-year rates have both dropped over a full percentage point. Thirty-year mortgage rates are down from 8.22% a year ago to 7.19% -- the lowest in more than 20 years.
- o As a result of these low rates, more than 5.4 million Americans have refinanced their homes in 1993 for a savings of \$10 billion just this year. A homeowner with a \$100,000 mortgage who refinances and saves 2 percentage points will save \$1,700 per year.
- o Housing starts climbed from 1.17 million last January to 1.43 million in November -- the highest level in over 3 years. Construction spending is up 10% over previous years and existing home sales are the highest in 14 years.
- o As a result of the low rates, business investment is surging. Over the past year, spending for producers' durable equipment has expanded at the fastest pace since 1984.

EXPANDING MARKETS FOR U.S. EXPORTS

- o Concluded the North American Free Trade Agreement and signed implementing legislation, ensuring that Americans will take a leadership role in the expanding global economy and opening markets that will create jobs.

- o Negotiated a successful GATT that will lower trade barriers among over 170 nations, save American consumers billions of dollars, and create hundreds of thousands of jobs.
- o Instituted a tough, new trade policy that safeguards the environment and American workers.
- o Advanced the United States trade agenda in Asia by convening the first-ever summit of Asian-Pacific leaders (APEC) and agreeing with Japan on a framework for trade talks. Promoted G-7 growth policies at Tokyo summit.

HELPING SMALL BUSINESS

- o Made new tax cuts available to over 90% of small businesses. Increased expensing of investment and provided a new targeted capital gains cut for long-term investments in small businesses -- incentives that will create hundreds of thousands of jobs in the next five years.
- o Signed the Small Business Guaranteed Credit Enhancement Act of 1993, increasing the availability of SBA-guaranteed loans.
- o Initiated aggressive action to alleviate the credit crunch on small and medium-sized businesses through regulatory initiatives to reduce burdens on banks.

A GROWTH-ORIENTED HIGH-TECH POLICY

- o Developed a National Export Strategy, eliminating export controls on \$37 billion worth of American high-tech products that support high-wage American jobs.
- o Developed an action plan for the National Information Infrastructure and ordered the transfer of 200 MHz of spectrum to the private sector to jump-start new wireless technologies.
- o Shifted federal R&D priorities heavily toward civilian technology.
- o Provided incentives for private-sector research and development and new business formation by extending the R&D tax credit.

HELPING COMMUNITIES

- o Created nine Economic Empowerment Zones and 95 Enterprise Communities. The plan gives local communities the incentives and regulatory flexibility to work with the private sector in developing comprehensive economic development strategies.
- o Transmitted to Congress the Community Development Banking and Financial Institutions Act of 1993, which creates a \$382 million federal fund to subsidize the development of community development banks and institutions.
- o Introduced the Housing and Community Development Act of 1993, revamping rent policy for public housing tenants and making home ownership easier for low-income Americans.
- o Instituted the Defense Reinvestment and Conversion Initiative, which implemented \$1.7 billion in specific defense conversion programs for 1993. The package includes funding for worker training and adjustment, investments in hard-hit communities, and the Technology Reinvestment Project to help small defense firms make the transition to commercial markets.

SAFER STREETS

"We must pass a tough crime bill. I support an initiative to put 100,000 more police officers on the street -- to provide boot camps for first-time non-violent offenders, and more space for the hardened criminals in jail. And I support an initiative to do what we can to keep guns out of the hands of criminals." (Joint Session Address)

GUNS OFF THE STREET

- o President Clinton signed the Brady Bill on November 30, 1993 -- breaking seven years of gridlock. The Brady Bill requires a five-day waiting period for the purchase of handguns.
- o Banned imports of foreign assault pistols, such as the Uzi, and called for a ban on all assault weapons. The Senate crime bill includes the toughest assault weapons ban ever passed.
- o Tightened federal gun dealer licensing requirements by improving background checks on prospective dealers, requiring dealers to obtain more reliable identification from purchasers and scrutinizing multiple handgun sales reports. Proposed dramatically increasing the federal licensing fee for gun dealers to reduce the 284,000 gun dealers in the U.S. today.
- o Pushed for passage of a measure in the Senate crime bill which bans the possession of handguns by minors.

100,000 NEW POLICE OFFICERS

- o To make our streets safer, the crime bill passed by Congress adopts the President's plan to put 100,000 more police officers on the streets with heavy emphasis on community policing.
- o Signed the Police Hiring Supplement, which awards \$200 million to communities for community policing; federal grants were awarded to 74 cities in December.

SAFER SCHOOLS

- o Expanded funding for the SAFE Schools Initiative. The President proposed and the Senate passed strong new measures as part of the crime bill to make our nation's schools safer.

STOP DRUGS

- o Elevated the Director of the Office of National Drug Control Policy to Cabinet rank.
- o Signed an Executive Order strengthening the Office of Drug Policy's agency-wide jurisdiction over drug policy, including issues involving national security.
- o Included treatment for substance abuse as part of the comprehensive health benefits package in the Health Security Act.

MORE PRISONS AND BOOT CAMPS

- o The crime bill will fund the construction of new prisons to make sure that criminals stay behind bars and expand boot camps for young offenders.

HELPING FAMILIES

"...There is a lot more we need to do to help people trapped in welfare move to work and independence; to strengthen child support enforcement; to reward those who work 40 hours a week and have children at home with an increase in the earned income tax credit so we can really say we're rewarding work instead of dependence -- to immunize all the children of this country so more parents won't have to take advantage of family leave because their children will be well, and strong, and healthy." (Family and Medical Leave Act signing)

TAX CUTS FOR WORKING FAMILIES (EITC)

- o Expanded the Earned Income Tax Credit by \$21 billion over five years to reward work over welfare. This year, 14 million families will receive \$13 billion in benefits from the EITC. When fully implemented, more than 20 million households with incomes of \$27,000 or less will benefit.

FAMILY AND MEDICAL LEAVE

- o Signed the Family and Medical Leave Act, providing up to 12 weeks of unpaid job-protected leave for employees to care for family members. As a result, Americans will not have to face the difficult choice between caring for their families or keeping their jobs.

FAMILY SUPPORT

- o Funded the Family Preservation and Support Initiative to help prevent child abuse and help parents learn the skills and tools they need to raise their children.

HEAD START

- o Increased funding for Head Start by \$550 million, allowing 100,000 additional children to participate in the program.

IMMUNIZATIONS

- o Signed a comprehensive Child Immunization Plan to provide vaccines, free of charge, to six million additional American children.

UNEMPLOYMENT ASSISTANCE

- o Signed the Emergency Supplemental Appropriations Act of 1993, extending unemployment benefits for up to 26 weeks for victims of the recession and providing \$4 billion in emergency unemployment compensation to approximately 1.9 million unemployed American workers. Quick action on the unemployment benefits bill kept 250,000 to 300,000 unemployed Americans each week from falling through the safety net.

FOOD ASSISTANCE

- o Fully funded the special supplemental food program for Women, Infants and Children, increasing average participation by 300,000 families, and enacted key provisions of the Mickey Leland Act, broadening food stamp assistance for poor families with children.

EDUCATION AND SERVICE

"Americans of every generation face profound challenges in meeting the needs that have been neglected for too long in this country ... for those who answer the call and meet these challenges, I propose that our country honor your service with new opportunities for education." (Rutgers University Address)

AFFORDABLE EDUCATION

- o Signed the Student Loan Reform Act of 1993 making college more affordable to more students and saving taxpayer money through direct federal lending and income contingent loans. Eliminating the "middle man" will reduce the cost of loans saving \$3 billion over the next five years and \$2 billion each year thereafter.

NATIONAL SERVICE ACT

- o Signed into law the National Service Act that will enable 100,000 Americans to serve their communities and our country, and earn assistance in paying for higher education. The AmeriCorps participants will directly address the nation's critical needs in areas of education, human service, public safety and the environment.

BETTER SCHOOLS

- o Introduced the "Goals 2000: Educate America Act," a comprehensive national education reform program, and the "Improving America's Schools Act."
- o Signed an Executive Order on Historically Black Colleges and Universities mobilizing a federal effort to foster the development and success of these institutions and their graduates.

SUMMER JOBS

- o Signed the 1993 Summer Youth Employment and Training Program which provided 700,000 disadvantaged young people with a chance to do meaningful community work, gain labor market skills and earn money.

JOB TRAINING

- o Introduced the School-to-Work Opportunities Act, providing funding to states and communities to develop and implement training programs and establish national standards for such programs.

COMPREHENSIVE HEALTH CARE REFORM

"We must make this our most urgent priority, giving every American health security-- health care that can never be taken away, health care that is always there...Now, these, my fellow Americans, are the principles on which I think we should base our efforts: Security, simplicity, savings, choice, quality and responsibility." (Health Care Address)

HEALTH SECURITY

- o Introduced the Health Security Act of 1993, a comprehensive plan to reform the nation's health care system to guarantee every American comprehensive health benefits that can never be taken away. The solution is a system of guaranteed private insurance. It will guarantee every American health security, simplify our system by reducing paperwork and cracking down on fraud, achieve savings, protect and expand our choices of doctors and health plans, improve the quality of care and ask everyone to take responsibility.

RIGHT TO CHOOSE

- o Revoked the Reagan/Bush restrictions on abortion counseling ("the gag rule"), abortions in military hospitals, "Mexico City" policy and RU-486 imports.

IMPROVING MEDICAL RESEARCH

- o Signed the National Institutes of Health Revitalization Act, removing the federal ban on fetal-tissue transplants and research, establishing the Offices of Women's Health Research, Minority Health Research and Alternative Medicine, and consolidating the direction and the budget of AIDS research.

AIDS

- o Increased Ryan White Act funding for outpatient AIDS care by \$231 million to \$579 million for Fiscal Year 1994, and proposed a 20% increase in NIH spending for AIDS research.
- o Appointed first ever AIDS czar to focus on consolidating federal resources and funds to find a cure and address the issues of AIDS.

RESTORING TRUST IN GOVERNMENT

"The confidence of the people who pay our bills ... in Washington is not high. We must restore it. We must begin again to make government work for ordinary taxpayers, not simply for organized interest groups." (Joint Session Address)

REINVENTING GOVERNMENT

- o Conducted the National Performance Review, which includes more than 1200 recommendations to make government work better and cost less. NPR will trim the government's payroll by 252,000 jobs and streamline government operations. It will cut red tape, eliminate obsolete and duplicative regulations and end special privileges.

MOTOR VOTER BILL

- o Signed the National Voter Registration Act, making it easier for 70 million unregistered Americans to vote by allowing them to register when they get their driver's licenses.

OPENING THE RECORD ON HUMAN RADIATION EXPERIMENTS

- o Opened an investigation into Cold War-era government sponsored radiation experiments.

FEMA REORGANIZATION AND DISASTER RESPONSE

- o Turned FEMA into an effective, rapid-response organization for the benefit of victims of nearly 80 declared emergencies, including the Great Flood and the California fires.

REDUCING COSTS TO TAXPAYERS

- o Ordered a reduction in federal perks, removing taxpayer subsidies of executive dining rooms, limiting use of government aircraft and restricting uses of government vehicles.
- o Signed the Government Performance and Results Act of 1993, requiring agencies to develop strategic plans and performance measures to improve effectiveness and public accountability
- o Reduced the White House staff by 25%.

AN ADMINISTRATION THAT LOOKS LIKE AMERICA

- o Appointed the most diverse Cabinet and Administration in history. The Cabinet is 29% African-American and 14% Hispanic; six women occupy cabinet-level posts.

CAMPAIGN FINANCE AND LOBBYING REFORM

- o Helped pass sweeping campaign finance reform bills in the House and Senate. Both bills aim to limit campaign spending, cut the influence of PAC's and the use of "soft money."
- o Signed an Executive Order imposing the strictest Administration ethics code in history -- forbidding senior appointees from lobbying for up to five years after leaving government.
- o Eliminated the tax deduction for lobbying expenses.

PROTECTING THE ENVIRONMENT

'For too long we have been told that we have to choose between the economy and the environment; between our obligations to our own people and our responsibilities to the future and to the rest of the world; America can maintain our lead in the world economy by taking the lead to preserve the world environment.' (Earth Day Address)

CLIMATE CHANGE ACTION PLAN

- o Introduced an innovative and comprehensive Climate Change Action Plan that saves government and industry money, spurs economic growth, creates jobs, and addresses one of the most threatening environmental problems today: global warming.

FOREST MANAGEMENT PLAN

- o Developed a Forest Management Plan that finally broke the impasse on forest issues in the Pacific Northwest. Today federal agencies are working with those who live and work in the region to implement the plan and restore the region's economic and environmental health.

WETLANDS

- o Introduced a wetlands plan to protect these prolific ecosystems, which filter and cleanse water, and provide a buffer against flooding. The Administration's package reflects the vital need for effective protection and restoration of the nation's wetlands, and advocates much needed reforms to increase the fairness and flexibility of federal regulatory programs.

CREATING MARKETS FOR "GREEN" GOODS

- o Signed executive orders -- to lead by example and use government purchasing power to stimulate markets for environmental products while saving taxpayers money. Executive orders cover the following:
 - Recycled paper and environmentally preferable goods for federal purchases;
 - Alternative-fuel vehicles for federal fleets;
 - Energy-efficient computers for all government uses;
 - Accelerated government phase-out of ozone-depleting chemicals;
 - Pollution Prevention -- federal facilities to cut toxic emissions 50% and report them under "Right to Know" laws.

BIODIVERSITY

- o The President signed the Biodiversity Convention -- reversing the previous Administration's stance. The Administration engaged industry and the environmental community to resolve their concerns, and the United States signed the treaty in June.

RE-AFFIRMING AMERICA'S GLOBAL LEADERSHIP

"With the Cold War over, many people ask whether the United States plans to retreat or remain active in the world; and if active, to what end...We cannot solve every problem, but we must and will serve as a fulcrum for change and a pivot point for peace." (United Nations General Assembly Address)

PROMOTING DEMOCRACY, MARKET REFORM AND HUMAN RIGHTS

- o Led international support for democracy and market reform in **Russia and other former Soviet states** through bilateral/multilateral aid and firm support for reformers. Created Gore-Chernomyrdin Commission to cooperate in space, energy, defense conversion and other areas. Secured repeal of many outdated Cold War laws.
- o Restored U.S. consensus on **China** policy for the first time since Tiananmen Square, setting the basis for dialogue to secure improved Chinese behavior on human rights, non-proliferation and trade.
- o Supported **South Africa's** transition from apartheid to democracy, including non-racial elections in April 1994, through diplomacy, aid and lifting of sanctions.
- o Promoted efforts to restore democracy and return President Aristide to **Haiti** through helping to negotiate the Governor's Island process; adopted tough international sanctions when the military in Haiti reneged on its commitments.
- o Proposed summit meeting of democratic leaders from this hemisphere for 1994.

MIDDLE EAST PEACE

- o Reinvigorated the Middle East peace process, leading to historic White House signing between Israel and the PLO. Enlisted international support for process, including \$2 billion pledged at the Washington Conference.

COMMITMENT TO A STRONG NATIONAL DEFENSE

- o Completed the "Bottom Up Review," the first comprehensive strategic review of defense needs for the post-Cold War world. The process provides a road-map to maintaining strong national security while identifying substantial defense savings.
- o Initiated the first review of nuclear posture since the end of the Cold War, including policy doctrine, force structure, operations and safety.

STRENGTHENING SECURITY TIES

- o Called for a NATO Summit in January 1994. At that summit, proposed and won approval by NATO and the East European nations of a "Partnership for Peace" to adapt the alliance to our new European security requirements by offering former Soviet republics and Central/East European nations closer ties to NATO.
- o Reaffirmed our commitment in East Asia and laid out a vision of future Asian security during visit to Tokyo, Seoul and DMZ.

EFFORTS TO STOP WEAPONS PROLIFERATION

- o Through intense diplomatic efforts, convinced Belarus and Kazakhstan to accede to the Non-Proliferation Treaty and become non-nuclear weapon states. With Ukraine and Russia, reached agreement on a comprehensive tri-lateral deal to rid Ukraine of more than 1800 warheads and 176 ICBM's today aimed at the United States.
- o Adopted a comprehensive non-proliferation and export control policy, and acted firmly to combat the spread of weapons of mass destruction by North Korea, Iran, Iraq, China and others. Announced counter proliferation initiative to combat emerging missile, nuclear, biological and chemical weapons threats.
- o Suspended nuclear testing and began work with other governments to achieve a Comprehensive Test Ban treaty by 1996. Obtained Senate approval for Open Skies Treaty and sent to Senate the Chemical Weapons Convention, which would ban an entire class of weapons of mass destruction.

COMBATting TERRORISM

- o Attacked **Iraqi** intelligence headquarters in response to Iraqi sponsored plot to assassinate President Bush; imposed new US/UN sanctions on **Libya** to press for those implicated in Pan Am 103 bombing to be brought to justice; adopted policy of "double containment" of **Iran and Iraq**.

RELIEVING HUMAN SUFFERING

- o Provided relief to **Bosnia** through longest humanitarian airlift in our history; promoted peace talks, enforced the "no-fly zone" and sanctions against Serbia, and secured NATO's firm commitment to air strikes if needed to ensure relief and prevent Sarajevo's strangulation.
- o Resisted calls for precipitous pull-out from **Somalia**, allowing Somalia the opportunity to prevent a return to the chaos which caused 350,000 deaths before our entry. Attacks on US/UN forces have declined and a commission of inquiry has been established to determine responsibility for attacks on U.N. forces.

STREAMLINING AND REFORM OF AID

- o Proposed the most comprehensive restructuring of foreign aid since the Kennedy Administration, leaving behind outdated Cold War outlook and promoting economic growth, democracy, peace, sustainable development and humanitarian relief. Committed to maintaining assistance at current levels to Israel and Egypt.

TOUGH STAND ON ILLEGAL IMMIGRATION

- o Adopted new policies to combat illegal immigration through cooperation with foreign governments and new enforcement, while facilitating legal immigration.

POW/MIA'S

- o Aggressively pursued the fullest possible accounting of our **POW/MIA's** with Vietnam, including return of remains, release of documents, and cooperation on discrepancy cases, and with Laos. Sent two Presidential missions to Vietnam to pursue this matter.



EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL OF ECONOMIC ADVISERS

WASHINGTON, D.C. 20500

January 19, 1994 94 JAN 19 P6:40

THE CHAIRMAN

MEMORANDUM FOR THE PRESIDENT

FROM:

LAURA TYSON
ALAN BLINDER

SUBJECT: Technology, Productivity and Jobs

Like other members of the Administration, we are often asked if productivity gains caused by new technologies destroy jobs and create unemployment. We do not believe that this is the case. In the event that a similar question comes up in your Larry King interview, we suggest an answer along the following lines.

Economic history both at home and abroad demonstrates that technological change destroys some jobs but creates many others. For example, during the first quarter of this century, the revolution in engine technology that destroyed jobs in the buggy whip industry created thousands of new jobs in the automobile industry. More recently, as a result of dramatic improvements in microelectronic technologies, output per worker in the computer industry increased over twenty-five times between 1986 and 1992. Yet employment in the computer industry more than doubled. Because computers became cheaper, many more were purchased. Even though each computer could be made with fewer workers, many more workers were required to meet growing demand.

Over time, productivity improvements result not in fewer jobs but in higher real wages, and higher real wages are the mainspring of higher living standards.

THE WHITE HOUSE

WASHINGTON

January 19, 1994

MEMORANDUM FOR THE PRESIDENT

VIA: MARK GEARAN

FROM: BILL GALSTON/BRUCE REED

SUBJ: BASIC MESSAGE FOR YOUR FORTHCOMING LARRY KING APPEARANCE

The American people have begun to experience an economic renewal, but they are not experiencing a comparable social renewal. On the one hand, jobs are more plentiful, unemployment is declining, and disposable incomes are rising. Not surprisingly, consumer confidence is up. On the other hand, crime, violence, teen pregnancy, and dependency are up, and the social fabric is unraveling in too many families, neighborhoods, and communities.

Accordingly, we believe that you should adopt a two-track message.

1. For the **economy**, it should be: Let us continue along the path of renewal, with fiscal discipline, intelligent public investment, openness to the world economy, and a government that does more with less.

Of course, economic renewal hasn't gone far enough, it doesn't yet include everyone, and you won't rest until it does. That means a world class education for every child, new assistance for workers dislocated by economic change and the end of the Cold War, and empowerment zones/enterprise communities for hard-hit urban and rural areas.

2. For our **social ills**, the case should be: Let us resolve to embark on the path of renewal, with policies that honor work, family, and responsibility--a tough crime bill, welfare reform, and service to nation and community.

Social renewal is not a matter for government alone, or for the market alone. It will take nothing less than a national mobilization--of voluntary organizations, public-spirited businesses, and religious institutions.

LARRY KING LIVE
DOMESTIC POLICY Q&A
January 19, 1994

WELFARE

Q. Senator Moynihan said 10 days ago that he might hold your health care plan hostage until you send Congress a welfare reform bill. Will you be delaying welfare reform until after health care?

A. We've got to do both health reform and welfare reform, and I hope Congress will do them both this year. In fact, the two are linked. One of the biggest reasons people go on welfare and stay there is to get Medicaid health benefits. Why should they go to work when they can stay home and get health care for free? Under our health reform plan, people would get their health insurance through the workplace, and they would have an incentive to go to work, not go on welfare.

I worked closely with Senator Moynihan in writing the Family Support Act. We're going to be sending up a welfare reform bill soon, and I'm eager to work with him again. It's time to end welfare and make it a second chance, not a way of life.

CRIME

Q. Recently, the Rev. Jesse Jackson and other black leaders convened a violence summit on black violence, and expressed opposition to the pending crime bill. Does this mean the Black Caucus will try to block your efforts to get a crime bill through Congress?

A. I applaud what Rev. Jackson and other black leaders are doing to challenge the African-American community to take personal responsibility for this epidemic of violence, which is falling heaviest upon the poor and minorities. When I spoke at Howard University on Monday to commemorate MLK's birthday, I said that if Dr. King were live today, he would be asking us why we can get nations to disarm their nuclear weapons, but we can't get guns out of our schools.

We cannot let crime become a racial issue. Before we came into office, some Republicans had been using the crime issue as a wedge to divide the American people. We can't let that happen.

Every American deserves the right to hope. On MLK Day I called business leaders to the White House to encourage them to get the private sector to invest in our Empowerment Zones. But let me say something else: every American deserves the right to feel safe. Thirty years ago, Congress signed the Civil Rights Act -- yet today Americans of all color are denied the most basic right of all, the right to walk in public without fear. That cannot go on.

Q. Should Tanya Harding be allowed to skate in the Olympics, after allegations that her bodyguard led an attack against her rival Nancy Kerrigan?

A. That's obviously a decision for the U.S. Olympic Committee. But let me say this: something is wrong with our country when people like Nancy Kerrigan's attacker think that resorting to violence is the way to get ahead. Too many of our youth make that calculation every day, and it's tearing our country apart. Some in the entertainment industry think that way, too. We've got to send a strong signal to the next generation that crime doesn't pay -- and we've got to have a criminal justice system that makes sure it doesn't pay.

DISASTERS

Q. During your first year in office we have suffered three national disasters -- the Midwest floods, the fires in S. California, and now the California earthquake. Is money available to continue our assistance to people in California and the Midwest?

A. Congress passed a supplemental bill that made a total of \$5.7 billion available to many federal agencies -- HUD, FEMA, Transportation, and Agriculture -- to help families and communities recover from the Midwest floods and to assist with future disasters. FEMA has some of that money available to help the families in California, and we will work with Congress to determine whether additional funds are needed.

ABORTION/HYDE AMENDMENT

Q. During your campaign you talked about preserving state flexibility on questions of public funding for abortion. In your FY 1994 budget your administration promised to work with the Congress to find an approach to public funding consistent with federal and state law. But now the Department of Health and Human Services has told the states that under Medicaid they are required to fund abortions in cases of rape and incest as well as to save the life of the mother. How can you justify that, and what do you say to the states who are protesting this decision?

A. As you know, last year the Congress altered the Hyde amendment, which had previously restricted Medicaid funding to cases in which the life of the mother is in danger. According to the Medicaid law, states are required to fund all medically necessary services unless there is some legal exception to the contrary. When the Hyde amendment was changed and the legal exception prohibiting funding for abortions in cases of rape and incest was removed, that funding became mandatory for the states.

I want to emphasize that this was not an arbitrary administrative determination. HHS is just applying the law as written.

I'm a former governor, and I know what it's like to be on the receiving end of federal laws. I know that HHS is doing everything it can to minimize the strain on states that have statutory or constitutional provisions that conflict with the Medicaid program as changed by the Congress this year. But ultimately, under our constitutional system, federal laws take priority over state laws (or constitutions) in cases of outright conflict. Unfortunately, that's what we have here.

Q. Yesterday, Gov. Casey of Pennsylvania said that the federal government had "exceeded its authority in attempting to nullify our state law" and that its action was based solely on "the unfounded legal interpretation of a federal official." What's your response?

A. Gov. Casey has a longstanding and principled opposition to current federal laws and policies concerning abortion. I respect his position, though I don't agree with it. But on the current question I think he's wrong, legally and constitutionally.

Results of Trip to Brussels, Prague, Kiev, Moscow and Minsk

- My trip to Europe came at an historic moment of opportunity in the post-Cold War period. For nearly five decades, European security depended on division and isolation, cordoning off the East through a policy of containment. That policy worked well, but at tremendous cost. We can now develop a new system of security based on Europe's integration; that is, drawing Western, Central and Eastern Europe together through new security arrangements, democratic and market reforms, and respect for the sovereignty of other nations.
- I reaffirmed our commitment to lead in this effort to build an integrated Europe. It is clear that the people and leaders of Europe want the United States to remain engaged in the transatlantic relationship and to provide leadership in meeting the tough challenges ahead. I believe they were reassured by my visit.
- There were several historic challenges interwoven in this trip, which have a fundamental impact on our security and well-being.

Encouraging Democracy and Market Reform in Russia

- In Russia, I told the Russian people that we will do all we can to support their move toward democracy and market reform instead of a return to authoritarian rule, ultra-nationalism and aggressive foreign policy. I expressed respect for the remarkable progress they have made in a very short time, including free elections in December which wiped out the last vestiges of the Soviet system.
 - o Russia is experiencing real hardship from economic dislocation and the pain of transition. We reviewed how our bilateral and multilateral assistance can support long-term reform as well as cushion the short-term hardships for the Russian people.
 - o At the same time, I stressed that Russia must respect the autonomy and territorial integrity of its neighbors, including withdrawal of troops from Latvia and Estonia, and respect for the sovereignty of Ukraine. In our Moscow Declaration, President Yeltsin and I agreed to actively fight ethnic and religious prejudice, including anti-Semitism.

NATO at the Center of European Security

- In Brussels, we reaffirmed the central role of the world's most successful alliance -- in NATO -- to the security of the post-Cold War world.
 - o NATO adopted our several proposals for revitalizing the alliance, including the Partnership for Peace, an evolutionary process of NATO

expansion. The Partnership allows the nations of Central and Eastern Europe to develop habits of cooperation through joint planning and exercises, and will prepare them for NATO membership down the road.

- o The Partnership avoids drawing new and hostile dividing lines in Europe. At the same time, we understand the security concerns of the new democracies in Central Europe as they look to their East. If things go sour in Russia -- which we do not expect -- the Partnership would facilitate their inclusion into the Western security alliance.

Enhancing our Nuclear Security

- The break-up of the Soviet Union created four nuclear nations -- Russia, Ukraine, Kazakhstan and Belarus -- instead of one. Working with Presidents Yeltsin and Kravchuk, we reached an agreement to eliminate Ukraine's nuclear weapons. Coupled with our previous efforts to rid Kazakhstan and Belarus of their nuclear arsenals, this has greatly enhanced our national security.
- o In addition, President Yeltsin and I agreed that as of May 30, our nuclear arsenals will no longer be targeted at each other. While it is relatively easy to retarget these weapons, this step is an important symbol; for the first time in decades, we will no longer target each other as enemies. This move also helps prevent possible disastrous results from accidental launch.

Drawing New Nations into Western Community of Democracies

- In Prague, I expressed our firm support for the independence of the nations of Central and Eastern Europe -- including the Czech Republic, Poland, Hungary and Slovakia -- and for their inclusion in the Western community of democracies. I was pleased to announce new trade and assistance measures to support the difficult transitions they face.
- o The people of these countries have taken courageous actions to throw off Communist rule and establish market democracies. We urged these nations to join the Partnership for Peace, and to look to the West with confidence, and not to the East with fear. I was pleased that they all endorsed the Partnership during my visit to Prague.

Enhanced Cooperation with the European Union

- In my summit with the European Union, I worked to build a productive relationship to enhance world growth, drawing on our cooperation at the Tokyo Summit and our joint work to complete the GATT talks.
- o I also urged the EU to open their markets to Eastern and Central Europe to help draw these nations into the community of Western market democracies.

Russia

Q: What is your reaction to Foreign Minister Kozyrev's remark that Russia should not withdraw its troops from former Soviet territory, including the Baltics?

A: -- As we understand them, Kozyrev's comments are at odds with the statements conveyed to us during our meetings in Moscow last week. We will certainly seek clarification of these comments.

-- U.S. policy toward the region is based on firm support for the sovereignty, independence and territorial integrity of the new independent states and Baltic republics. The President during his summit meetings with President Yeltsin reiterated our strong support for these principles and pressed for the withdrawal of remaining Russian forces in Latvia and Estonia.

-- We do not accept that Russia should assert any special role or prerogatives that are inconsistent with the UN charter, CSCE principles and international law.

-- Furthermore, President Yeltsin and President Clinton signed the Moscow Declaration last Friday in which both sides pledge to "promote rapid and peaceful resolution of conflicts on conditions that correspond to generally accepted standards of international law, including respect for the independence, sovereignty and existing borders of the new independent states of the former Soviet Union."

Q: What is your reaction to the resignation of First Deputy Prime Minister Gaydar? Is this a set-back to the reform process?

A: -- Mr. Gaydar has played a valuable role as an architect of Russia's reforms. We hope that he will continue, from his position as a party leader in Parliament, to influence the pace and scope of reform.

-- During his visit to Moscow, President Clinton received assurances from President Yeltsin that Russia will push forward with its historic reforms. Yeltsin specifically told U.S. journalists he would not slow the pace of reform. Ultimately, the test will be the Russian government's commitment to the policy of reform, not the personalities.

Gerry Adams Visa

Points

- We have received a visa application from Sinn Fein leader Gerry Adams to visit the United States. The request has been forwarded to Washington for a decision.
- As the President stated in a recent interview, we will review the request in light of recent events, including those flowing from the December 15 Joint Declaration by prime Minister Major and Prime Minister Reynolds.
- Gerry Adams is ineligible for a U.S. visa under the Immigration and Naturalization Act, which bars individuals involved in terrorist activity from entry into the U.S. Under U.S. law, a waiver of this ineligibility will be needed for him to receive a visa.

(If asked about the President's statements during the campaign)

- During the campaign, the President said he would re-consider the decision not to grant a visa to Mr. Adams, noting that he was a member of Parliament and as such could be helpful to the process of bringing peace to the region. By the time that reconsideration took place, Mr. Adams was no longer a member of Parliament and thus his request was denied.

Haiti

Q: What is your reaction to the January 14-16 Miami conference hosted by Haitian President Aristide?

A: -- We believe the conference was a constructive step in beginning the process of achieving unity of purpose among Haitian democrats. Serious dialogue among all Haitian parties is required to restore Haitian democracy and return President Aristide.

-- As Special Envoy Ambassador Pezzullo told the conference, the international community will continue its unprecedented measures to encourage and support that process.

Q: What about the February 7 deadline that President Aristide set for his return to Haiti?

A: -- We will continue to work with all the parties to restore democracy within the principles established at Governor's Island. It is important that all the steps needed to achieve that goal be taken. Setting dates in and of itself does not advance that process.

Q: Now that January 15 has passed and the military has not fulfilled its obligations as set forth by the Four Friends in their December aide-memoire, what will the Friends do?

A: -- We will be meeting with the other Friends (Canada, France, Venezuela) this week to discuss additional UN sanctions.

-- I don't want to discuss specifics until we have had a chance to consult with the other Friends.

Q: Some conference participants criticized the US direct return policy for Haitian migrants. Will you be changing it?

A: -- We have established three in-country refuge processing centers so those who are fleeing persecution can apply for refugee status without attempting the dangerous sea voyage. The Centers are functioning well.

-- We will continue to repatriate those who are intercepted in boats directly back to Haiti.

Mexico

Q: Press reports indicate that U.S. government-supplied helicopters were used in the Mexican Army's fight with the Zapatistas. Is this true?

A: -- Our Embassy in Mexico has confirmed that some 30-35 helicopters operated by the Mexican attorney general's office -- including some provided by the U.S. Government for counternarcotics purposes -- were deployed to Chiapas. According to a senior Mexican foreign ministry official, the helicopter were placed under the operational control of the Mexican military and used in Chaipas only in a logistical, non-combat role.

-- After U.S. demarches, the Government of Mexico ordered the U.S. government-supplied helicopters withdrawn from service in Chaipas on January 13.

Trade Embargo on Vietnam

Points

- Our decisions regarding movement on the issue of relations with Vietnam will be predicated on our objective of achieving the fullest possible accounting of our remaining POW/MIAs. We are currently reviewing this issue, but no new decisions have been taken.
- Assistant Secretary Lord recently returned from a visit to the region, and reported continuing progress in our efforts to achieve the fullest possible accounting of our POW/MIA's. We are receiving significant cooperation from the Vietnamese on such issues as the supply of documents, the return of remains, resolution of "discrepancy cases" and joint investigations with Laos.

North Korea

Q: Is the Administration making concessions to North Korea? Have you decided to settle for a single-shot inspection?

- A: -- No. Our objective remains a nuclear-free Korean peninsula and an effective nonproliferation regime, including ongoing North Korean compliance with its nonproliferation obligations.
- To attain this goal, we are prepared to engage North Korea in a thorough, broad discussion of the issues between our countries. But as we have consistently stated, such discussions are possible only so long as North Korea maintains continuity of safeguards on its declared nuclear facilities and engages in dialogue with South Korea.
- Our recent contacts with the North Koreans have focused on establishing the conditions necessary to resume the thorough, broad dialogue that we hope will produce a resolution of the nuclear issue.
- In this context, we have said it is essential that North Korea now allow the IAEA to proceed with the full inspection of seven North Korean nuclear facilities that it has requested. We hope that North Korea will take this step promptly.
- As our discussions go forward, we will continue to insist that North Korea take those actions necessary to maintain safeguards continuity, while seeking additional steps by North Korea to resolve the nuclear issue.

Somali Detainees

Q: What is the U.S. reaction to the announcement by U.N. Secretary General Boutros-Ghali ordering the release of the last U.N. detainees in Somalia?

A: -- The Secretary General's announcement is the result of a lengthy process and is based on Security Council resolution 885, which asked the Secretary General to appoint a commission of inquiry to investigate the events surrounding the attacks on U.N. peacekeepers.

-- The Commission has recommended the release of these detainees, as have U.N. Special Representative Jonathan Howe, U.N. military commander General Bir, and a former Zimbabwean Chief Justice who was asked by the UN to examine this matter.

-- The U.S. accepts this judgment and the decision of the Secretary General. This action will hopefully contribute to the political reconciliation of various factions both with one another and with the UN.

-- The UN Commission of Inquiry, meanwhile, is continuing its investigation of the events surrounding the attacks on UN peacekeepers. The U.S. supports and is fully cooperating with the investigation, which is aimed at bringing to justice those who are culpable.

Q: What about the Americans and other UN peacekeepers who died; were their sacrifices in vain?

A: -- No. The actions of U.S. and other military forces permitted humanitarian relief to reach the people and saved hundreds of thousands of Somalis from starvation. In helping to halt a humanitarian disaster, the more than 30 nations working in Somalia have made numerous sacrifices on behalf of the Somali people, including unfortunately taking casualties. The U.S. soldiers in Somalia have performed their mission well and with courage.

Pollard Amnesty

Points

- The President has said that he would review Pollard's request for clemency when he receives the appropriate documents from the Department of Justice.
- The President has not yet received a recommendation from the Justice Department on the issue of amnesty for Pollard. We do expect a recommendation to come shortly.
- Until we receive the recommendation, it would be inappropriate for me to comment on the case.

January 19, 1994

MEMORANDUM TO THE PRESIDENT

FROM: Gene Sperling

SUBJECT: Economic Themes for Larry King

1. AMERICAN DREAM: We had fallen into drift and had forgotten that it takes constant action and work for us to respond to the challenges of change needed to preserve and pass on the American Dream. This challenge is vital because we need to preserve the American idea that a lifetime of hard work can provide security for families, that children can have a better life, and that we can still have a growing economy which makes room for everyone who works hard enough.

2. CLINTON ECONOMIC STRATEGY RESPONSIBLE FOR STRONGER ECONOMY:

We have a long way to go, but we have put in place a economic strategy that is moving the nation in the right direction. Our economic plan is responsible for lowering interest rates and helping families, businesses and the nation as a whole invest in their future. But we must continue to make tough choices so that we can close both deficits -- the budget and the deficit in investing in our future.

3. FY1995 DEFICIT IS BETTER: By reducing the deficit we have regained control of our economic destiny, lowering interest rates and spurring the investments that are helping to give us a real recovery at last. The deficit is now projected to be below \$180 billion -- over \$100 billion lower than what was projected when we were elected.

4. TOUGH CUTS TO MEET DEFICIT TARGETS AND INVEST IN OUR FUTURE: We will have to pass tough cuts in order to keep the deficit down and invest more in worker training, new schools, 100,000 cops on the street. Last year, we cut 342 programs and we will have to cut more to make the investments in America's future we want to make.

5. THE TRUTH ON TAX FAIRNESS AND REWARDING WORK: People will now see the truth about our economic plan: that only 1.2 percent had income taxes raised, while over 98 percent had no change, and 15 million working families actually had a tax cut. Small businesses will see that over 90 percent of small businesses are paying no new taxes, but are eligible for a 75 percent increase in expensing and for a capital gains tax cut.

6. CHANGING ECONOMY REQUIRES LIFELONG LEARNING AND ALL-OUT EFFORT TO LAY THE FOUNDATION FOR NEW JOBS:

Even lower interest rates, lower inflation and lower deficits will not restore the American Dream if we do not raise the skills of all of our people. The changing economy requires lifelong learning for creating high skilled jobs -- that is why we will be focusing on children and school reform, school-to-work and a new worker reemployment system. But skills without jobs is a cruel trick, and that is why we have all-out effort to create jobs on all fronts. In the last 11 months the economy has created 1.6 million private sector jobs --60% more than in last four years -- and we're on track to create 8 million jobs in the next four years.

FOUR FUNDAMENTAL ECONOMIC CHANGES

CHANGE ONE: INSTEAD OF DRIFT AND BORROWING TOO MUCH, WE HAVE CONTROL OVER OUR ECONOMIC DESTINY THROUGH A HONEST BUDGET PLAN THAT HAS REDUCED THE DEFICIT, GIVEN US CONTROL OVER OUR ECONOMIC DESTINY, AND RESTORED PUBLIC TRUST.

- \$500 billion deficit reduction, the largest in history
 - 12% real cut in federal spending; 342 programs cut
 - taxes devoted to deficit reduction on top 1.2%
 - Deficit \$50 billion lower in 1993 than projected
- FOR THE NEXT FISCAL YEAR, THE DEFICIT WILL NOW BE BELOW \$180 BILLION EVEN THOUGH IT WAS PROJECTED TO BE \$300 BILLION WITHOUT OUR PLAN. WE HAD INITIALLY PROJECTED \$200 BILLION, SO BECAUSE WE HAVE USED HONEST NUMBERS, WE ARE COMING IN BELOW ARE INITIAL PROJECTIONS.***

CHANGE TWO: WE HAVE REPLACED GRIDLOCK THAT LED TO A WEAK, STOP AND START, JOBLESS RECOVERY WITH A REAL INVESTMENT-LED RECOVERY. DUE TO THE LOWER INTEREST RATES THAT HAVE COME THROUGH DEFICIT REDUCTION, MORE BUSINESS AND MORE FAMILIES ARE INVESTING IN THEIR FUTURES.

- Mortgage rates and interest rates have fallen to historic lows due to the presentation and passage of our economic plan. A year ago today, they were over 1% higher. That has had a major effect in spurring investment by both families and businesses.
 - 5 million families have refinanced their mortgages.
 - Business investment is up 15%.
 - Housing starts are up dramatically since July.
 - Late payments on mortgages are at their lowest in nearly 20 years because jobs are up and interest rates are down.
- MOST OF ALL JOBS ARE UP. WE HAVE CREATED 1.6 MILLION PRIVATE SECTOR JOBS IN 11 MONTHS. THAT IS MORE THAN 60% MORE THAN WERE CREATED IN THE LAST FOUR YEARS.***

CHANGE THREE: WE HAVE MADE OUR TAX SYSTEM MORE FAIR SO THAT IT REWARDS WORK AND SPURS JOB CREATION.

- As all independent experts now admit (CBO study), the new income taxes will only affect wealthiest 1.2% of Americans -- families with incomes of over \$180,000 -- and all of it will go to reduce the deficit.
- More than 98% of all Americans will see no change in their income taxes or will get a tax cut.
- 15 million families, with a parent who works full-time and a child at home, will get a tax cut, so that no one who works full time will have to raise a child in poverty.
- Two significant small business tax improvements that over 90% of small businesses will be eligible for are a 75% increase in expensing and a new capital gains tax cut for small and expanding businesses.

CHANGE FOUR: CLOSE THE INVESTMENT DEFICIT WITH INVESTMENTS IN PEOPLE TO GET CHILDREN READY TO LEARN AND TO PROVIDE WORKERS NEW SKILLS.

- In the new economy, the only thing you can count on is change and the fact that what you earn will be based on what you learn. This is true for the nation as a whole: those with the most skills will have the most prosperity.
- That is why we need new revolution in lifetime learning. We must stress new initiatives at each stage of life. 1. Ready to learn (Head Start, WIC, immunization); 2. School Reform (Goals 2000, safe schools, Chapter 1); 3. Transition to Work (National Service, School-to-work apprenticeships, income contingent loans) 4. Lifetime reemployment (new workforce security act).
- It does little good to have skills with no jobs. We have all-out effort to create jobs. The economy is on track for creating 8 million jobs in four years and we will fight to help people in the private sector create new jobs in every way. Defense conversion, small business tax cuts, new technologies of the future, empowerment zones and Community Development Banks, environmental infrastructure -- creating jobs through clean water and wastewater grants.

NEC Q AND A
1/19/94

ECONOMICS

Q: Republicans say that interest rates were already falling when you took office and that the drop in interest rates is just an extension of a long-term trend. Isn't that true?

A: --No. It is true that interest rates dropped **during the recession** in 1990 and 1991. But in 1993, interest rates dropped in direct response to the presentation of a credible deficit reduction plan. They dropped *four to five times more in 1993 than in 1992*. Indeed, it is clear that the markets repeatedly reacted positive to the presentation of our plan, and that it was widely understood that if we failed to pass our plan, interest rates would have shot up.

Q: Why not support a balanced budget?

A: --We are already bringing down the deficit and I believe that we have to stay committed to keeping it on a downward path.

--We've shown that we can bring down the deficit while still growing the economy and do so without a Constitutional gimmick that would likely lead to large tax increases on the middle class, slashing Social Security or hurting our national defense. We passed the largest deficit reduction plan in history -- 342 programs cut, a 12% real cut -- while not hurting the economy, and we need to keep doing that. What we've shown is that you can make intelligent choices.

--We need to stand firm on our \$500 billion deficit reduction package and pass health care reform so that we keep bringing the deficit down further, but we must do it in a way that does not forget that our ultimate goal is to create jobs and increase the American standard of living.

--The people who are supporting this are not being straight: they cannot show you how we can slam on the brakes this tightly without costing millions of jobs and without huge cuts in Social Security, raising middle class taxes or putting our national defense at risk. We don't need to change our Constitution, bring federal judges into the budget process, or punish the middle class and the economy, if we keep making disciplined choices to cut spending, while still protecting our national security and the investments we need to keep this economic recovery real.

Q: But, even with your plan the deficit still stays at about \$180 billion. What is your plan to bring it to balance? Can you give us a time when you would balance the budget?

A: -- What we've done is take a trend of spiraling deficits over 12 years, and instantly put it on a downward path, so that every year the deficit is going down as a percentage of our national income. To keep it going down we need to stand rock-solid by our deficit reduction plan, pass a real health care bill -- with real cost containment -- and ensure that the economy continues to grow, since nothing will hurt the deficit like another serious recession like the one we just got out of.

-- We must continue to make the tough choices, but we must remember that our main goal is to reduce the deficit in a way that increases jobs and creates economic growth for our people. So I do think we should move toward balance, but as long as we are putting it on a downward path and have control of our economic destiny, we have to make the tough choices at each particular time so that we can have an economy that is creating jobs and increasing the incomes of our people.

Q: How much credit can you take for the expansion?

A: -- Presidents probably get both more credit and more blame than they deserve. The key is taking the actions necessary to put the nation on the right track and that is what my Administration has done.

-- **We came into office and attacked the Federal budget deficit problem head on.** Within a few months from the time we promised our 5-year, half-trillion dollar deficit reduction program, **long-term interest rates had tumbled by over 1 percent.**

-- These lower interest rates are helping American businesses and American families invest in their future. **All the interest-sensitive sectors of the economy grew rapidly in 1993** --automobile sales, major household appliances, housing starts, and business investment in equipment that will make America more productive over the coming years.

-- **Growth in those sectors helped the pace of private sector job creation accelerate to 140,000 jobs per month in the last eleven months, seven times the rate of the last four years.**

-- While I know we still have a long way to go, I believe that we have taken action and changed the economic direction of this country. We are

strengthening our recovery at the same time we prepare for long term economic growth.

Q: Wasn't the economic recovery well underway under President Bush? How is this economic expansion better than the earlier recovery?

A: -- In 1992 we saw a start – stop economy, an economy that when it did show gains, showed only anemic ones – an economy that had poor job creation and little investment in our future.

-- While we are not satisfied with where we are, a change has occurred, our recovery has become constant and broad based. Lower long-term interest rates are encouraging businesses to invest more in equipment. Housing sales are up, durable goods are up, auto sales are up and inflation is at historic lows.

-- Another important difference is the pace of job creation. Private sector job creation accelerated to 140,000 jobs per month in the last eleven months, seven times the rate of the last four years.

Q: Aren't your higher taxes going to choke off the expansion in early 1994?

A: -- As CBO points out our income tax change effects only the wealthiest 1.2% of Americans. There is no evidence that the implementation of our taxes will choke off a recovery. Our deficit reduction package has led to historically low interest rates that are encouraging investment that is causing economic growth. Over 5.4 million Americans have refinanced their homes. For a family with a \$100,000 mortgage, a 2 percentage point drop means that they save \$1700 a year.

-- I believe that the forward momentum of housing sales, automobile sales, household appliance demand, and business spending for equipment will keep this recovery on the right track.

-- From almost any perspective, the economy is looking solid right now, and I do not believe that this will in any way derail the economy.

FED AND INTEREST RATES

Q: Are you concerned that the Fed will raise interest rates prematurely and, if so, are you pressuring them not to?

A: -- We are certainly not pressuring the Fed in any way. The Fed is an independent agency, and I think our whole society benefits from keeping it that

way. As to your specific question, we believe the Fed has the same goals as we do--sustained economic growth with low inflation--and believes, as we do, that the economy is going along the right track. Inflation is not a problem right now.

Q: Your Administration forecasts rising short-term interest rates in 1994. Is this a signal that you expect the Fed to tighten?

A: -- Not necessarily. It is normal for short-term interest rates to rise as the economy strengthens, so rising short rates do not necessarily signal a change in the Fed's policy stance. We do not try to forecast what the Fed will do.

Q: Do you expect inflation to start increasing if the economy continues on its current path?

A: -- The fundamentals look good for keeping inflation under control. Core CPI rose at the lowest rate for a full year since 1972, just 3.2 percent from December 1992 to December 1993. Core PPI over the year was only 0.4 percent, the smallest increase since the government started measuring the series in 1974.

Q: Your proposal for bank regulation is being interpreted as a shot across the bow of the Fed. Are you warning them not to raise interest rates?

A: -- Certainly not. The Fed is an independent agency, and we do not tell them what to do. Our proposed bank regulatory reform is meant to clear away unnecessary layers of regulation, in line with recommendations from the National Performance Review. It has nothing to do with monetary policy.

JAPAN FRAMEWORK NEGOTIATIONS:

Q: You have achieved a great deal in the area of international trade, but Japan remains a big problem. The trade deficit with Japan is bigger than ever, and it looks like you've made very little progress toward opening its market. Why should you have any more luck in solving the Japanese problem than any of your predecessors?

A: -- In our short time in office we have done what many said could not be done in the trade area. We passed a NAFTA agreement that includes protection for workers and the environment on both sides of the border. We achieved a Uruguay Round agreement that will open many markets to U.S. goods. We hosted a meeting with our fastest growing Asian trading partners.

- I believe we can make similar progress in our negotiations with the Japanese. Through our accomplishments this year, we have proven to the world that we are for free and fair trade.
- We have launched a new set of negotiations -- a Framework -- that focuses our efforts so that we can make progress in opening Japan's markets.
- The U.S. is now the most competitive economy in the world. All we need is open markets, and our workers and companies will do the rest. That is what we seek in our negotiations with Japan: the chance to compete in a free and open market.
- When I meet with Prime Minister Hosokawa next month in Washington, I hope that we will have achieved enough progress to sign the first set of agreements under this Framework. However, we only will sign good agreements. As I have said before, no agreement is better than a bad agreement.

NAFTA

Q: During the NAFTA debate, you defended the Mexican Government's human rights record. Yet over the last few weeks, the Salinas Government brutally suppressed an uprising of native peoples in Chiapas (including reports of summary executions). In part, the Chiapas protest involved the negative impact of NAFTA on the Chiapas economy. The Mexican people don't seem to agree with your assessment of the NAFTA. Have you changed your view?

- A:**
- I continue to believe that NAFTA, when fully implemented, will bolster the economies of all three NAFTA countries.
 - The difficult situation of poverty and underdevelopment in Chiapas predates the NAFTA. I welcome the efforts of President Salinas to seek a peaceful solution to the problems highlighted in recent weeks -- including dialogue with diverse sectors of the community in Chiapas.
 - We hope all parties to the problems in Chiapas will accept peace, observe the rule of law, and respect human rights.

EMPOWERMENT ZONE/ENTERPRISE COMMUNITY

Q: Isn't the Empowerment Zone/Enterprise Community Initiative doomed to fail like all the other past, well-meaning but misguided urban policies. Wasn't the recent article in the Sunday New York Times magazine right?

A: -- The question misses the point, we have a comprehensive urban agenda of which Empowerment Zones and Enterprise Communities are one integral part. The Community Reinvestment Act, Head Start, EITC, family immunization, Goals 2000, and the displaced workers program that I will propose next year are all parts of a larger plan to bring the American dream back to the inner city.

-- On Empowerment Zones, we have learned the lessons of the past.

-- First, this program recognizes that government can't do it alone. But we can be a partner, with the private sector, with local and State governments, and with the people in the communities themselves.

-- Second, this isn't some program conjured up by bureaucrats in Washington with lots of top-heavy regulations. This program asks the localities, in a partnership with the private sector and community representatives, to design the program that best suits their unique characteristics. To insure that we're understanding the needs of the communities, we're holding workshops in twelve locations around the country. In addition, the Vice President has held a series of hearing with community organizations, private sector individuals, and local and State government officials prior to the development of the application to insure that this program is tailored to their needs.

-- Third, this program has the commitment of the Cabinet -- 13 members sit on the Community Enterprise Board, which is chaired by the Vice President. Everyone in this Administration understands that we don't have any communities to waste.

-- Fourth, unlike past Federal urban aid programs, this one focuses on spurring private investment into our distressed communities through innovative tax incentives and community-financed partnerships. Private dollars, not public ones, will insure that self-sufficient institutions will develop in our inner cities.

-- Fifth, this program is built on the principle of people coming together to help themselves. This is not just another government handout.

SUPERFUND

Q: A year ago in your State of the Union speech, you said you were going to fix Superfund so that it cleaned up toxic waste sites, not paid lawyers' fees. What have you done?

A: -- We will introduce reauthorizing legislation for a comprehensive reform of the Superfund program in the next few weeks. It will propose an administrative arrangement for allocating shares of cleanup costs equitably to responsible parties, so that who pays what will not have to be fought out in the courts. This will speed the cleanup process and devote resources to actually cleaning up sites rather than paying lawyers to battle each other over who owes what.

ENTITLEMENTS

Q: Is comprehensive means testing the only ultimate solution?

A: -- My plan has been based on reducing the deficit in a fair way that it asks the most well-off Americans to contribute the most. That is why we did not raise income taxes on 98% of Americans and instead asked more from only the wealthiest 1.2%. On entitlements, we have followed that principle as well. We reduced Social Security costs by asking the wealthiest 13% to include more of their benefits as taxable income. Our health care plan also asks the most well-off to pay higher Medicare premiums.

-- But let me make one thing clear: I'm not going to turn Social Security into a welfare program. Americans earn Social Security benefits because they work and pay taxes into the system, and I'm not going to violate that principle. The key to controlling entitlements is to control health care spending--and that is what we are doing.

Q: What is the Administration going to do about entitlement growth?

- A: -- I agree that in the aftermath of the \$500 billion deficit reduction plan, that entitlement growth is the main problem; but when you look closely, you see the real issue is health care spending -- Medicare and Medicaid -- is the overwhelming problem. The only way we can take on this problem without simply shifting costs to the average American is through comprehensive health care reform.
- The Administration is going to the root of the problem -- with a fundamental and systemic health-care reform. That proposal will control health-care costs throughout the economy -- and thereby help to control costs in Medicare and Medicaid. It also includes specific Medicare and Medicaid cost-saving measures.
- Beyond that, the Administration put forward significant entitlement cuts in its fiscal year 1994 budget, and \$80 billion of entitlement savings was enacted in the reconciliation bill. The Administration continues to review all entitlement programs for inefficiencies, and will have some proposals in the FY 1995 budget early next year.
- Finally, I have created a commission on entitlement review, to be chaired by Senators Bob Kerry (D-Nebraska) and John Danforth (R-Missouri), that will consider the entire range of entitlements and present comprehensive and bipartisan recommendations.

BACKGROUND ON TAX COMPLIANCE BY FOREIGN CONTROLLED U.S. CORPORATIONS (Raised in your last King interview)

- In last year's budget bill, the Administration made real progress in ensuring that foreign corporations pay the proper amount of taxes in this country. We strengthened the tools available to the IRS to police transactions by foreign corporations and we imposed stiff penalties that will improve the reporting of the proper amount of profit earned in the United States. In addition, we made it much more difficult to strip earnings out of the United States through deductible payments such as interest.
- Additionally, the Treasury and the IRS have recently announced an important new initiative aimed at tax compliance in the area of international taxes. These agencies will step up efforts to ensure tax compliance in a range of areas including administrative controls, tax treaties, and new regulations.

MEMORANDUM TO THE PRESIDENT

Fr: Bob Boorstin

Date: January 19, 1994

Re: Health Care Themes and Questions

GOALS AND THEMES:

What the American people have heard about health reform for months is not from you -- it's from our opponents. With your appearance here -- as well as the State of the Union, we want to reestablish the ideas behind your proposal and reassure people, particularly seniors, about what your proposal really is. We've decided to talk about your approach to health care -- not your plan, so as to elevate the principles and ideas, and not every detail or specific piece.

If you can do three things about health care on this show, it should be the following:

1) Set the stakes for the coming debate as the following: Who will have control over health care: the American people or the insurance companies?

- **The bottom line is this: our approach means guaranteed coverage for everyone -- comprehensive benefits that can never be taken away, while the alternatives leave the insurance companies in charge.** With our approach, insurance companies will no longer be allowed to drop you, refuse you, or jack-up your rates because of your medical history or just because you got older. The other approaches still allow insurance companies to pick and choose whom they will cover, when they will drop you, or whose rates they will increase. That is the choice.

2) Characterize your proposal as guaranteed private insurance. With the plan being attacked as government-run, as if it's a single-payer proposal, this characterization will help to alleviate fears about bureaucracy.

3) Reassure seniors.

- Our approach is good for seniors, and that's very important to me. **It preserves Medicare**, and adds new coverage for prescription drugs and some help with long-term care. I think it's fundamental to reform that we protect older Americans, and frankly, some of the alternatives concern me because they don't have the same protections and benefits for seniors that our approach

does.

In addition to the above goals, you might stress the following themes in talking about our approach to reform.

- **Our approach preserves what works in America's health care system, and fixes what's broken. And it will be phased in over a few years to make sure the reforms are done right.**
- **Our approach offers a system of guaranteed private insurance.** It builds on the current system with two critical changes:

First, the guarantee of comprehensive health insurance that you can never lose
Second, greater consumer power for people and small businesses to choose quality health insurance at lower cost

You might also use this opportunity to let viewers know that there are other approaches to health reform before the Congress. And you should start to draw contrasts between our approach and the other alternatives. The following are points to make about our approach to make some of the most effective contrasts:

Provides Real Health Security

Our approach guarantees comprehensive benefits to every American that can never be taken away.

The other approaches don't guarantee coverage to everyone and don't protect families from the threat of losing their insurance.

Outlaws Insurance Company Discrimination

Our approach makes it illegal for the insurance companies to decide who gets coverage and how much they pay.

The other approaches still allow companies to pick and choose whom they will cover and set how much they will pay. And they continue to allow insurance companies to charge older people more than younger people.

Guarantees Comprehensive Benefits Spelled Out in Law

Our approach provides a comprehensive benefit package, including prescription drugs and preventive care, that is spelled out in law and can never be taken away.

The other approaches don't guarantee what's covered, leaving it to be determined later by a government board, and let insurance companies continue to use "lifetime limits" on coverage to cut off benefits.

Helps Older Americans

Our approach preserves Medicare, adding new coverage for prescription drugs and some long-term care.

The alternatives threaten seniors with less coverage and higher bills. They don't provide new benefits and raid Medicare to pay other bills unrelated to health care.

QUESTIONS AND ANSWERS

Questions Likely To Come From Larry King:

1) Some Republicans, and even Senator Moynihan, say there is no health care crisis in America. Do you agree? .

A: I disagree, and I think the American people do, too. We have a serious problem with health care in America today, and here's what's wrong. Today's system is rigged against families and small businesses, and the insurance companies are in control. They pick and choose whom they cover. They use "lifetime limits" and loopholes to cut off your benefits. And then they can drop you when you get sick.

It's not right, and my approach changes that. With my approach, insurance companies will no longer be allowed to drop you, refuse you, or jack-up your rates because of your medical history or just because you got older. All those things will be illegal.

We know this: our health care system is seriously broken, and I am committed to fixing it. And those who deny there are serious problems don't understand the lives of middle-class Americans who live in fear that their health care won't be there when they need it. If you're wealthy or you're poor, the system may work for you, but if you're in the middle, that's when you're in trouble.

2) Why not take small steps first?

A: First, let's be clear about what my approach does: it builds on our current system, preserving what's right and fixing what's wrong. And to make sure that the reforms are done right, our approach also phases in reform over a few years. And history shows that piecemeal reform won't work. Until we guarantee coverage to everyone, we can't control costs and we can't stop what the experts call "cost-shifting" -- the practice of people with insurance paying for those without.

3) Will health reform pass this year?

Yes, I'm confident it will. My wife and I are very committed to it, my Administration is very committed to it, and I think members of Congress are also very committed. And remember, Congress really wants to do this because their constituents back home -- the American people -- are demanding action -- and the members really want to come through.

4) Senator Moynihan has said that this plan needs Bob Dole's support to pass. Is that a problem?

Well, from the beginning this has been a bipartisan effort, and we look forward to

working with Sen. Dole and other Republicans in passing a bill. I strongly believe that health care especially should not become a partisan issue, and we've followed that all along. But as I've said, my bottom line is guaranteeing every American a comprehensive benefits package that is spelled out in law and can never be taken away.

5) What is your response to the accusation by many economists that your health reform plan won't work because it has price controls?

A: That letter does not oppose my health reform plan. Instead, it attacks what it calls my plan for "price controls" -- which were considered but specifically rejected. The letter is misleading because it fails to distinguish between price controls -- which my proposal does not contain -- and limits on premium increases -- which are part of my Health Security Act. My primary strategy for controlling costs is competition -- encouraging health plans to compete on price and quality. The premium caps in my plan are a backup measure to build discipline and certainty into our health care system, to make sure that your premiums don't continue to spiral out of control.

6) Don't the recent signs of a moderation in health care inflation take some of the urgency out of your calls for comprehensive health care reform?

A: Not at all. You know, there is historical evidence -- from the Nixon era particularly -- that the health care industry moderates their prices in anticipation of health care reform, only to increase them again as soon as the reform effort is defeated. Leading health care economists, such as Uwe Reinhardt of Princeton, have pointed this out recently. I should also note that medical costs are still rising two to three times as high as other prices. So we think the need for reform is as urgent as ever. But if this really is good news about the slowing costs, all the better. That means it will be easier to guarantee coverage to every American.

7) Are you putting off welfare reform in favor of health reform?

No, we expect to introduce welfare reform legislation this year, and we want the Congress to enact health reform and welfare reform as soon as possible. But health care reform is a critical piece of ending welfare as we know it. The first piece was expanding the Earned Income Tax Credit to make work pay, which we did in last year's budget. And the next piece will be health care reform, because today, hundreds of thousands of people stay on welfare in order to keep their health benefits. When we guarantee coverage to everybody, people will be able to take jobs, secure in the knowledge that they and their children will always have health coverage.

Questions Likely To Come From Callers

1) Doesn't the Clinton plan add more layers of government bureaucracy?

A: No. We specifically rejected a government-run system in favor of a system of guaranteed private insurance, an approach that builds on what we have today by preserving what's right and fixing what's wrong. Nothing could be more complex than what we have now, and for you, the consumer, it will be much easier after reform. You'll know what you're getting -- without having to read insurance company fine print. And you'll have a Health Security Card and just one single claims form -- without all the insurance company red tape -- to fill out when you go to the doctor's office.

2) I've heard that your President's plan will limit my choice of doctor. Is that true?

A: No, it's not. You will be able to choose your own doctor. And in fact, our approach actually increases the choices most consumers will have. Today, your choices are being limited by your employer and insurance company, but after reform, every American will be able to choose from several different kinds of health plans, no matter where they work. And the choice will be theirs, not their employer's. And, every American will be able to switch plans every year if they're not satisfied with their care or service. What you're hearing is scare tactics from the insurance companies and others who are trying to stop reform and protect their profits.

3) Won't your plan's employer mandate drive thousands of small businesses into bankruptcy and cause massive job loss?

A: Absolutely not. The people that say that don't take into account the significant discounts that the my plan offers small businesses. The very lobbyist who paid for the most commonly cited job loss study calls it "outdated" and not relevant to my plan. And The Wall Street Journal called the Clinton plan "an unexpected windfall" for small business.

There will, in fact, be some job gains as a result of our approach. Manufacturers and other firms with high health costs will see their costs go down, and one study from the Economic Policy Institute predicts that 258,000 manufacturing jobs created over the next decade. There will also be health care jobs created, as we guarantee coverage for everyone. Some people will certainly be doing different things -- there'll be less people processing paper and more people giving care.

4) I've got good insurance. What's in this plan for me?

A: People who like their insurance today have a lot to gain from the Health Security Act. First -- and most important -- you'll get something that no amount of money can buy in today's insurance market: security -- the guarantee that you'll have

comprehensive benefits that can never be cut back or taken away. No longer will the insurance companies be able to drop you or raise your rates when you get sick. You'll also finally stop losing wages just to keep the same health benefits, and you'll get more choices of doctors and plans than many people have today.

5) When you try to cut costs and limit the amount premiums can rise, won't that just lead to rationing -- worse care and waiting on lines?

A: No. The insurance companies are trying to scare you because they don't want a limit on how much they can raise your premium. Remember what this debate is about. It's the insurance companies trying to preserve their hold on a system that lets them pick and choose whom they will cover, when they will drop you, or whose rates they will increase. With our approach, insurance companies will no longer be allowed to drop you, refuse you, or jack-up your rates because of your medical history or just because you got older. The other approaches -- and the status quo -- still allow insurance companies to do all those things. That is the choice.

6) What's this I hear about Medicare benefits being cut?

A: I want to be clear: my approach preserves Medicare. Older Americans who receive Medicare will continue to receive all the benefits they do today. And with my approach, Medicare will be strengthened by adding prescription drug coverage, and the elderly and disabled will also get some help in paying for long-term care. Now, some of the alternative proposals before the Congress threaten seniors with less coverage and higher bills. They don't provide new benefits and threaten Medicare by using Medicare savings to pay other bills unrelated to health care. I disagree with that approach, and that's why the American Association of Retired Persons (AARP) has called my plan "the best option for senior citizens."

9) Won't your plan mean that I'll pay more and get less?

A: Under my approach, every American will be guaranteed a comprehensive benefits package that can never be taken away, including preventive care and prescription drugs, a package comparable to that offered by most Fortune 500 companies. And you will have the guarantee that those comprehensive benefits can never be taken away -- no matter what.

Insurance companies won't be able to raise your rates when you get sick or if you're older. But, like today, what you pay will depend on the plan you choose and whether you're buying insurance for yourself or your family. And depending on the plan you choose, your deductible will be either \$200 for an individual or \$400 for a family. My approach also limits how much insurance companies can raise your premiums, and it attacks fraud in our health care system by rooting it out and declaring it a crime.

10) How do you pay for this whole reform plan anyway?

A: Here's how we pay for reform. First, all the employers and individuals that don't pay anything today for the cost of their health care will be asked to take some responsibility. We will raise the tax on tobacco and ask large corporations that decide to cover their own employees to help pay for the cost of health care for everyone. At the same time, we're going to slow the skyrocketing costs of federal health programs and crack down on health care fraud with new penalties.

Now the first independent study of our numbers was released about a month ago -- it was done by an independent firm called Lewin-VHI, which has a number of former Reagan and Bush Administration officials working there now -- and they said when they released their report: "If the question is whether they can finance this program with the revenues they will get under their plan, the answer is yes, and they will still end up with \$25 billion for budgetary deficit reduction."