

Originally Processed With FOIA(s):
1998-0004-F[1]

FOIA Number:
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FOIA MARKER

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Record Group/Collection: George H.W. Bush Presidential Records
Collection/Office of Origin: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: White House Offices Files

OA/ID Number: 29181
Folder ID Number: 29181-002

Folder Title:
Policy Development (Porter) (1990) [1]

Stack:	Row:	Section:	Shelf:	Position:
G	15	25	5	5

Withdrawal/Redaction Sheet

(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01. Memo	From Charles Kolb to John Sununu Re: H.R. 5140--Dropout Legislation (2 pp.)	11/23/90	P-5	
02. Memo	From Roger Porter for the files Re: Telephone conversation w/Australian ambassador Michael Cook (2 pp.)	11/14/90	(b)(1)	
03. Memo	From Roger Porter to POTUS Re: Immigration Reform Legislation (2 pp.)	11/25/90	P-5	
04. Memo	From Roger Porter to POTUS Re: Crime Legislation (1 pp.)	10/24/90	P-5	
05. Memo	From Roger Porter to POTUS Re: Omnibus Education Legislation (2 pp.)	10/24/90	P-5	
06. Memo	From Roger Porter to John Sununu Re: Immigration Reform Bill Follow-up (2 pp.)	10/26/90	P-5	
07. Memo	From Roger Porter to John Sununu Re: OSHA Enforcement (1 pp.)	10/9/90	P-5	
08. Memo	From Roger Porter to John Sununu Re: Canadian Inclusion in U.S.-Mexico Free Trade Negotiations (1 pp.)	9/6/90	(b)(1)	

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Subseries: White House Offices Files
WHORM Cat.:
File Location: Policy Development
(Porter) (1990) [1]

Pinksheet Number: KO0729
OA/ID Number: 29181-002
Date Closed: 12/15/2004
FOIA/Sys Case #: 1998-0004-F[1]
Re-review Case #: 2005-0426-S
P-2/P-5 Review Case #:

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Doc. No. / Type	Subject/Title	Date	Restriction	Classification
09. Memo	From Roger Porter to John Sununu Re: Letter from Senator Helms Regarding Textiles Quotas (2 pp.)	7/20/90	P-5	
10. Memo	From Roger Porter to John Sununu Re: Reading for Mobile: Report of Subcommittee on Health (2 pp.)	7/26/90	P-5	
11. Memo	From Roger Porter to John Sununu Re: Orange Juice Tariffs (1 pp.)	8/1/90	P-5	
12. Memo	From Roger Porter to John Sununu Re: Mark Hatfield and Math and Science Legislation (1 pp.)	6/8/90	P-5	
13. Memo	From Larry Lindsey to Roger Porter Re: Earned Income Tax Credit Story (2 pp.)	6/22/90	P-5	
14. Memo	From Roger Porter to John Sununu Re: China MFN (2 pp.)	5/16/90	P-5	
15a. Memo	From Roger Porter to John Sununu Re: Super 301 Announcement (2 pp.)	4/4/90	(b)(1)	
15b. Paper	Re: Possible Approach to Super 301 (3 pp.)	n.d.	(b)(1)	
16a. Memo	From Roger Porter to POTUS Re: Mac O. Boring's Letter Concerning the Ector County Hospital District (2 pp.)	4/3/90	P-5	

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16b. Memo	From POTUS to Roger Porter Re: Mac O. Boring's Letter Concerning the Ector County Hospital District (1 pp.)	3/25/90	P-5	
17. Memo	From Larry Lindsey to Andy Card Re: CTFC vs. SEC (1 pp.)	4/30/90	P-5	
18. Memo	From Larry Lindsey to Roger Porter Re: CTFC vs. SEC (4 pp.)	4/4/90	P-5	
19. Memo	From Roger Porter to John Sununu Re: Telecommunications Trade Negotiations (1 pp.)	2/13/90	P-5	
20. Memo	From Roger Porter to John Sununu Re: Luncheon w/Policy Development Staff (2 pp.)	1/4/90	P-5	
21. Resume	Nancy A. Maloley Home phone number redacted (1 pp.)	n.d.	(b)(6)	
22. Memo	From William Roper to John Sununu Re: Red Dye #3 (1 pp.)	1/2/90	P-5	
23a. Memo	From Roger Porter to John Sununu Re: The Prospects of a Recession (1 pp.)	1/12/90	P-5	
23b. Memo	From Larry Lindsey to Roger Porter Re: Recession in 1990? (3 pp.)	1/3/90	P-5	

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Open on Expiration of PRA
(Document Follows)
By JP (NLGB) on 10/28/05

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RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

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THE WHITE HOUSE

WASHINGTON

THE CHIEF of STAFF
has seen

November 23, 1990

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: CHARLES E.M. KOLB *CEM*

SUBJECT: H.R. 5140 -- Dropout Legislation

I wanted to clarify the circumstances surrounding the enrolled bill report for H.R. 5140 that came to your attention last Friday evening. As you know, Secretary Cavazos decided to recommend that the legislation be disapproved after learning that an administrative error in the use of the autopen during his absence led to an initial and erroneous letter to OMB recommending approval.

First, contrary to what you were told, I never represented that all White House offices reviewing the bill wanted it vetoed. What I said was that all Department of Education program offices that had reviewed the bill had recommended a veto.

Second, I never -- at any time or under any circumstances -- represented that you wanted the bill vetoed. What I said was that the Department of Education's Chief of Staff called me on Friday and told me that the Secretary was recommending that the bill be vetoed.

Third, I did not talk the Secretary of Education into changing positions on this legislation. In fact, I never spoke with Secretary Cavazos last week on this or any other subject. I did speak with the Department's Chief of Staff on Thursday, November 15, about the matter and suggested that he take a look at the issue. He had already been made aware of the issue before I spoke with him. After talking with Secretary Cavazos and at least two other senior officers of the Department, the Chief of Staff called me last Friday morning to indicate that the Secretary insisted on changing the letter since it did not reflect his views.

Fourth, I was not motivated in this matter because of any desire to make life difficult for certain people at the Department. Having worked closely with Secretary Cavazos for almost two years, I was puzzled why he would recommend approval of a bill after four key offices in the Department recommended

a veto on several grounds. My curiosity grew after discovering a sole-source grant provision -- added after the SAP was sent - - which I knew he had always consistently opposed in the past. The enrolled bill memorandum came across my desk, and I believed I was doing my job in asking detailed questions about a matter before it was sent to the President.

Finally, I regret your having to spend time on this matter, especially on the eve of your departure for Europe with the President. The issue could have been handled routinely and certainly without all the fuss and bother that occurred last Friday.

cc: Roger Porter
Dick Darman

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03. Memo	From Roger Porter to POTUS Re: Immigration Reform Legislation (2 pp.)	11/25/90	P-5	

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THE WHITE HOUSE

WASHINGTON

90 OCT 25 PM 4:34

October 25, 1990

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MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER *RBP*

SUBJECT: Immigration Reform Legislation

Some more good news. House and Senate conferees reached agreement on an immigration reform bill last night that the Administration can enthusiastically support.

During the past few weeks we have worked with Senators Simpson and Kennedy and Representatives Lamar Smith and Hamilton Fish to reach agreement on the remaining outstanding issues. The conference agreement:

1. Significantly increases immigration levels, particularly skill-based immigration.
 - o Total immigration will increase from 540,000 in 1989 to 700,000 per year for 1991-1995, and to at least 675,000 per year from 1995 onward.
 - o Annual employment-based immigration will more than double to 140,000. New criteria will move toward increasing the average skill levels of these immigrants.
 - o The number of family reunification visas issued will be higher than present levels for all major categories.
2. Does not contain any major budget expenditures.
 - o An agreement I reached with Representative Lamar Smith, Senator Simpson, and Senator Kennedy removed a provision that would have cost \$300 million in FY 1991.
3. Provides 18 months of extended voluntary departure (EVD) for El Salvadorians.
 - o Aliens who apply for extended departure will be required to leave after 18 months.
 - o El Salvador President Cristiani has strongly supported this provision.

- o The compromise language is significantly weaker than the original amendment in the House bill. The Administration did not support the granting of special EVD status and is concerned about the precedent this provision creates.
4. Provides an acceptable compromise on foreign crew ship unloading.
- o Conferees accepted a compromise proposed by the Department of Transportation.
 - o The compromise language should address concerns expressed to me by Canadian Ambassador Burney and by several other foreign governments.
5. Contains certain provisions for curbing illegal immigration including a pilot state driver's license program.
- o The Administration advocated separating illegal immigration issues from this bill. Senator Simpson insisted on including them in this legislation.
 - o Some ethnic and civil libertarian groups oppose the illegal immigration provisions.

The ethnic and business communities strongly support the bill. Both groups credit the Administration for playing a major role in helping to reach a compromise acceptable to all parties.

If asked about this legislation the following three points are worth making:

- o The bill is pro-growth and pro-family, and has received strong endorsements from the business and the ethnic communities. It enhances America's singular advantage as an international magnet for eager and talented people.
- o Skill-based immigration will more than double. This increase will relieve labor shortages in key technical areas and improve the competitiveness of our workforce.
- o This bill will help reunite families and reinforce the family as the essential unit of society.

Withdrawal/Redaction Sheet

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04. Memo	From Roger Porter to POTUS Re: Crime Legislation (1 pp.)	10/24/90	P-5	

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THE WHITE HOUSE

WASHINGTON

October 24, 1990

90 OCT 24 PM 6:38

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER *RBP*

SUBJECT: Crime Legislation

Both the Senate and House have passed crime bills that contain many of the elements of your comprehensive crime proposal. We have been working with Legislative Affairs, OMB, and the Justice Department to: (1) push Congress for a Conference, and (2) produce a Conference Report that blends the best features of the House and Senate bills.

The Senate has appointed Senators Biden, DeConcini, Kennedy, Metzenbaum, Leahy, Thurmond, Hatch, and Simpson as conferees. The House may appoint conferees later today, including Representatives McCollum, Gekas, Hyde and De Wine.

The principal provisions we would like included in the final bill are a Federal death penalty, meaningful habeas corpus reform and reform of the exclusionary rule. Republican members of the Senate and House Judiciary Committees have met and are in general agreement on the necessary elements of any conference report.

There is little question that the Conference will produce a strong death penalty provision. Deleting the "Racial Justice Act" provisions that were incorporated in the House passed bill is a must and will be difficult, probably requiring in exchange deletion of the exclusionary rule reform provisions. Although this result would be unfortunate, it would not be fatal.

Habeas corpus reform is perhaps the most difficult issue. Representative McCollum is working diligently to craft a compromise with Representative Hughes. If one can be crafted it is likely to be reached at the eleventh hour. Bill Barr, the Deputy Attorney General, and I met with Representative McCollum today to discuss how far we could go in compromising on habeas corpus reform. We all agree that any compromise must be better than current law, the best agreement we can reach, and one that leaves the Supreme Court free to continue to improve upon the legislation's provisions.

The Conference is likely to convene tomorrow. We do not expect any agreement to be reached before Saturday or Sunday. I wish I could be more optimistic that we will get both the death penalty and habeas corpus reforms.

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THE WHITE HOUSE

WASHINGTON

October 24, 1998 OCT 24 PM 8:03

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER *RBP*
SUBJECT: Omnibus Education Legislation

Over the past several weeks we have been working closely with the Department of Education and OMB and the House and Senate conferees to produce a good education bill. We are pleased that we are now close to a bill that would authorize most of the provisions of your Educational Excellence Act submitted to Congress in April 1989.

Principal Provisions

As currently drafted, the legislation authorizes \$250 million for your programs as follows:

- \$175 million for the Merit Schools program,
- \$5 million for Presidential Awards to Teachers,
- \$15 million for Alternative Certification,
- \$20 million in additional support for Historically Black Colleges and Universities,
- \$5 million for the Math and Science Scholars program, and
- \$30 million for an open enrollment educational Choice program sponsored by Representative Steve Bartlett.

The legislation also contains a provision introducing your flexibility-in-exchange-for-accountability concept, although like the Merit Schools program, it would be limited principally to those schools presently receiving Chapter 1 funds for remedial instruction in math and reading. While we were unable to obtain support for your Magnet Schools proposal because of strong opposition from Gus Hawkins, in my judgment the Bartlett choice program constitutes a reasonable compromise.

The rest of the bill includes approximately \$550 million to authorize various teacher education and literacy programs, most of which will not receive appropriations this year. The total authorization level should be approximately \$800 million. We started out at \$700 million; the Democrats at \$960 million.

Perhaps more importantly, when it comes to appropriations, we anticipate receiving \$100 million for Merit Schools, \$1 million for the National Science Scholars, and \$5 million for the National Board for Professional Teaching Standards.

National Board for Professional Teaching Standards

After lengthy discussions with Senators Kennedy, Kassebaum, Hatch, and Pell, and with Representatives Hawkins, Goodling, and Coleman, I concluded that we could not get a bill without some provision for the National Board for Professional Teaching Standards. After discussing the matter with Secretary Cavazos, Governor Sununu, and Dick Darman, I told the conferees that we would drop our opposition to funding for the National Board for Professional Teaching Standards.

We had previously opposed this funding because it was contrary to the concept of alternative certification. Moreover, Federal funds are not needed to establish teaching standards any more than they are needed for organizations that currently set standards for attorneys, accountants, or even chiropractors. We ultimately agreed to authorize the Board for not more than two years, with no more than \$5 million spent each year. The initial proposal had been for \$25 million. We also managed to include significant evaluation and oversight provisions which should keep the Board from straying into unproductive activities.

Bingaman Legislation

The second sticking point was a proposal by Senator Bingaman to fund a national report card that would have duplicated the work currently underway by the National Education Goals Panel. As you know, some members of Congress have been jealous of the successful partnership for education reform that you have established with the nation's governors. The Bingaman proposal would have created a parallel panel that had the potential for disrupting the activities currently underway for measuring and assessing our six national education goals. I have been assured by Senator Kennedy and Chairman Hawkins that the Bingaman provisions have now been dropped from the bill.

This omnibus education legislation authorizes those key reform programs that you have advocated during the past 20 months. Of particular significance is the fact that we will be able to begin implementing your Merit Schools program immediately with \$100 million in FY 1991. Bill Goodling and Nancy Kassebaum have been particularly helpful, and interestingly both Kennedy and Hawkins have been more flexible and willing to compromise than I expected.

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By *JP* (NLGB) on 10/28/05

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FOIA/SYS Case #: 1998-0004-F[1]	Appeal Case #:
Re-review Case #: 2005-0426-S	Appeal Disposition:
P-2/P-5 Review Case #:	Disposition Date:
AR Case #:	MR Case #:
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RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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Freedom of Information Act - [5 U.S.C. 552(b)]

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THE WHITE HOUSE

WASHINGTON

AC/ER

October 26, 1990

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER *RBP*

SUBJECT: Immigration Reform Bill Follow-up

THE CHIEF of STAFF
has seen

The immigration reform bill provides us an opportunity to position ourselves as solidly pro-growth and pro-family. The bill has significant bipartisan support and is strongly supported by the business and ethnic communities.

The Administration is credited with playing a major role in helping to reach a compromise acceptable to all sides. A coalition of ethnic organizations, including groups from the Hispanic, Asian, Catholic, and Jewish communities, have offered to hold a news conference prior to a signing ceremony to praise the President's leadership on this issue.

To achieve maximum value from our efforts on the immigration bill, one possibility would be to have the President sign the bill during a trip to California. Another option would be to have a White House ceremony with ethnic and business groups present.

We should also consider mentioning the immigration bill in the President's speeches during the next few weeks. By pointing to his support of immigration reform and his signing of the American with Disabilities Act, we can help bolster the President's "kinder and gentler" image.

cc: David Demarest

Talking Points for the Immigration Reform Bill

- o The Administration strongly supports the passage of the immigration reform bill, and commends the House and Senate conferees for their work to reach a compromise.
- o The bill is pro-growth and pro-family, and has received strong endorsements from the business and ethnic communities. It enhances America's singular advantage as an international magnet for eager and talented people.
- o Total immigration levels will increase from 540,000 per year in 1989 to 700,000 per year in 1991-1994. From 1995 on, immigration levels will be at least 675,000.
- o Employment-based immigration will more than double, from 54,000 per year to 140,000 per year. New criteria will ensure most of these workers are highly skilled. This increase in skill-based immigration will relieve labor shortages in key technical areas and improve the competitiveness of our workforce.
- o The bill provides increases for family-based immigration in all major categories.
- o The bill will help reunite families and reinforce the family as the essential unit of society.
- o The Administration strongly opposed the bill's provision to provide generic safe havens and extended voluntary departure for El Salvadorians. We believe these provisions set dangerous precedents and remove the Administration's ability to handle special refugee situations.
- o <If the pilot driver's license program is mentioned.> The Administration had favored not including in this bill measures designed to curb illegal immigration. We would have preferred for these issues be properly studied and addressed at a later time.
- o <If the issue of the driver's license program as the start of a national ID card is mentioned.> This is not a movement toward a national ID card. No federal or social security data can be used in the pilot program.
- o <If the liberalizing of immigration restrictions for those AIDS is mentioned.> The bill provides greater discretion for the Secretary of Health and Human Services to make decisions regarding the danger posed by specific diseases. This change will allow the Administration greater flexibility to handle immigration issues.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
07. Memo	From Roger Porter to John Sununu Re: OSHA Enforcement (1 pp.)	10/9/90	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Sununu, John, Files
Subseries: White House Offices File
WHORM Cat.:
File Location: Policy Development
(Porter) (1990) [1]

Open on Expiration of PRA
(Document Follows)
By *JP* (NLGB) on 10/28/05

Date Closed: 12/15/2004	OA/ID Number: 29181-002
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THE WHITE HOUSE

WASHINGTON

October 9, 1990

AC/ER

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER *RBP*

SUBJECT: OSHA Enforcement

THE CHIEF of STAFF
has seen

Rod DeArment of the Labor Department informs me that the budget agreement includes a five fold increase in OSHA enforcement penalties. This figure represents the CBO scoring of the Metzenbaum OSHA legislation which combines sharply increased penalties with an increasing scope of criminal penalties (as opposed to civil penalties). Needless to say, this legislation has been resisted by the Labor Department and the Administration during this session of Congress and would represent an unfortunate development in domestic labor policy.

Information

THE WHITE HOUSE
WASHINGTON

AC/ER

September 6, 1990

MEMORANDUM FOR GOVERNOR SUNUNU

THE CHIEF of STAFF
has seen

FROM: ROGER B. PORTER *RBP*

SUBJECT: Canadian Inclusion in the U.S.-Mexico Free Trade
Negotiations

Several days ago the Canadian cabinet voted unanimously to seek inclusion in the U.S.-Mexico Free Trade negotiations. Prime Minister Mulroney apparently raised the idea with the President at Kennebunkport, and will shortly send a formal letter requesting participation. The idea has leaked in the Canadian press today, creating pressure on us and Mexico for a prompt response.

I understand that the President was noncommittal at Kennebunkport, and expressed concern that a three-way negotiation should not undercut the existing U.S.-Canadian FTA and must be acceptable to the Mexicans.

We had expected that the Mexicans might discourage the idea. However, in their talks with the Canadians, Mexican trade officials have been questioning but noncommittal. In private discussions with USTR, the Mexicans have been more negative.

Agency views are mixed. On the one hand, there is concern that Canadian participation could complicate and delay the negotiations, at some political cost to President Salinas. On the other hand, given the support Prime Minister Mulroney has provided in recent weeks it would be difficult to deny the Canadians now. On balance, most agencies are willing to expand the talks. No good middle ground has been identified. The Canadians have strongly rejected a two-stage process.

USTR is preparing a decision memorandum on this issue which should be completed within the next few days.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
09. Memo	From Roger Porter to John Sununu Re: Letter from Senator Helms Regarding Textiles Quotas (2 pp.)	7/20/90	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Sununu, John, Files
Subseries: White House Offices File
WHORM Cat.:
File Location: Policy Development
(Porter) (1990) [1]

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THE WHITE HOUSE

WASHINGTON

July 20, 1990

THE CHIEF of STAFF
has seen

MEMORANDUM FOR GOVERNOR SUNUNU

FROM:

ROGER B. PORTER *Stana for*

SUBJECT:

Letter from Senator Helms Regarding Textiles
Quotas

As requested, we have reviewed carefully Senator Helms' letter requesting that the U.S. hold fast to its Uruguay Round proposal to use global quotas as the mechanism for phasing out textile and apparel protection. We believe it would be unwise to make a firm commitment.

While the European textile and apparel manufacturers recently agreed to support global quotas, USTR is skeptical that the manufacturers will be able to persuade the European Community (EC) to alter its opposition to a global quota mechanism. In addition, it is highly unlikely that the developing countries will accept a global quota approach, even if the U.S. and EC support it. This possibility is made even more remote by that fact that the European industry's support is contingent on continuation of the current "gentlemen's agreement", under which the U.S. and EC agreed not to impose textile quotas on each other.

Accordingly, we should not commit to Senator Helms to stick to the global quota proposal forever. The Uruguay Round talks are likely to focus increasingly on a transition mechanism based on the existing Multi-Fiber Arrangement (MFA).

Should Senator Helms call, suggested talking points are attached.

TALKING POINTS

Discussion with Senator Helms on Textiles

- o Jesse, I understand your support for the global quota approach.
- o We are continuing to push the global quota proposal in Geneva, despite considerable criticism from the developing countries and the European Community. But we have always made clear to you that an MFA-based transition regime is also an option for us.
- o (If necessary). Jesse, we are discussing a global quota system, but we also are prepared to negotiate based on the MFA. A lot depends on what happens in Geneva.
- o USTR would be happy to brief you about what's happening in the negotiations.

United States Senate

WASHINGTON, DC 20510-3301

July 11, 1990

THE CHIEF of STAFF
has seen JUL 18

The Honorable John Sununu
Chief of Staff
The White House
Washington, D.C. 20500

Dear John:

I know you're busy, but please note the enclosed announcement of a significant development in the trade negotiations in Geneva.

In an important shift, the largest European textile and apparel manufacturers have agreed to press their governments to support the U.S. proposal regarding a global quota system covering trade in textiles and apparel.

John, I am genuinely concerned that our negotiators may shift the U.S. position away from the global quota proposal because of opposition they have encountered. It's an anomaly, therefore, that efforts are underway in Europe to move their governments closer to the U.S. position. It would be devastating to the great help you have given us on this issue if our negotiators now back away from the U.S. position.

A global quota approach is the only effective solution to the problems facing the textile and apparel industry. It is vital that our negotiators stick to this approach as support for it grows in the European Community.

It's of personal importance to me that our negotiators "hold fast" so that this matter can be resolved. I'll be so grateful for any help you can give us.

Sincerely,



JESSE HELMS:hlp

Enclosure

Contact: Deborah E. Anderson
(202) 862-0513--Work
(703) 476-6436--Home



American Textile Manufacturers Institute

TEXTILE

NEWS / INFORMATION

1801 K Street, N.W., Suite 900, Washington, D.C. 20006

For Immediate Release:
July 6, 1990

U.S. AND EUROPEAN TEXTILE AND APPAREL GROUPS AGREE ON URUGUAY ROUND POSITION

WASHINGTON, D.C.--Trade associations representing U.S. and European textile and apparel manufacturers today announced agreement to press their governments to negotiate a "comprehensive product quota system" covering international trade in textiles and apparel.

Their proposal amounts to a global quota system which would exempt the developed countries.

Details of the proposal were released by the Europe's Largest Textile and Apparel Companies (ELTAC), American Apparel Manufacturers Association (AAMA) and the American Textile Manufacturers Institute (ATMI).

ATMI President Donald R. Hughes of Burlington Industries, Inc. hailed the agreement as a "highly significant and unprecedented accord.

- more -

"We further believe that it will be recognized as a pivotal step that should lead the respective governments to come to a satisfactory agreement on textile and apparel trade," Hughes said.

He noted that the U.S. and European textile and apparel industries have a total of five million employees and receive 85 percent of the world's textile and apparel imports.

The organizations support a phasing-out of the Multifiber Arrangement covering trade in textiles and apparel but said it must be accomplished over a period "of sufficient duration to permit the effective implementation of strengthened rules and increased market access covering world trade in textiles and apparel."

They said country coverage of the global quota must be as broad as possible to prevent circumvention of quotas by transshipment, but that the quotas "must continue to recognize existing formal and informal trade agreements or arrangements between developed countries."

The global quota would have as its base the current level of trade with growth related to the historical growth of each importing market. In the case of the United States, that growth rate would be 1 percent.

During the transition period, strengthened rules governing trade would have to be implemented, and there would have to be increased market access for world trade in textiles.

3

The trade organizations recommended a transition period of 15 years during which progress would be monitored by representatives of U.S. and European industries.

The agreement, which calls for strengthened rules covering safeguards, subsidies, anti-dumping and protection of intellectual property, also says that "foreign governments and companies which disregard protection of the environment should not be permitted equivalent access to markets of countries which produce goods in an environmentally sensitive way."

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Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
10. Memo	From Roger Porter to John Sununu Re: Reading for Mobile: Report of Subcommittee on Health (2 pp.)	7/26/90	P5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Sununu, John, Files
Subseries: White House Offices File
WHORM Cat.:
File Location: Policy Development
(Porter) (1990) [1]

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(Document Follows)

By *JF* (NLGB) on 10/28/05

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THE WHITE HOUSE

WASHINGTON

July 26, 1990

MEMORANDUM FOR GOVERNOR SUNUNU

FROM:

ROGER B. PORTER *RBP*

SUBJECT:

Reading for Mobile: Report of the Subcommittee on Health

✓ file
THE CHIEF of STAFF
has seen JUL 31 1990

In conjunction with the transition in NGA leadership and focus, the National Governors' Association's Committee on Human Resources will receive a report on the new theme issue, health. The report from the subcommittee on health is attached.

The report contains an introduction from the governors, two papers from outside scholars, and a proposed set of principles to guide the governors. One of the outside papers, from Robert Blendon at the Harvard School of Public Health, makes three important points about Americans' attitude towards health care:

1. Only the Italians are more dissatisfied with their health care system than Americans.
2. Dissatisfaction seems rooted in how much health care costs individuals (not how much it costs in total.)
3. As with the environment, Americans have unrealistic expectations and tell pollsters they want a system that provides million dollar treatments to everyone.

While the rhetoric and tone of the report reflect the work of a subcommittee whose members include Governors Celeste, Clinton, and Dukakis, the report does show that the governors can be a close ally in some areas of the health care debate. The federal government, states, and business share a common bond as purchasers of health care; the report lays out how that common bond might become the basis for a political coalition.

1. In many ways, the report reflects the conventional wisdom and traditional liberal descriptions of our health care system.

The report recites (in "The Challenge," pages 1 through 4) the usual facts: our health care system costs more than any other country's; health care's share of GNP continues to grow; millions are uninsured. The principles for reform (beginning on page 21) place universal access at the top.

2. As purchasers of health care, the governors seek to find common ground with other purchasers.

The document talks in terms of "a joint mechanism" between public and private sectors to control costs and quality.

Other material prepared by the NGA staff for discussion by the human resources committee show a plan for the joint mechanism that would place absolute limits on aggregate health care costs, negotiate prices with providers, and decide the aggregate amount of capital available to the health care sector. In this way US states would imitate Canadian provinces. In Canada the province is the sole purchaser; a "joint mechanism" for the United States would also provide seats at the table for the federal government and employers who provide health benefits for their employees.

The model is intriguing. In some forms the "joint mechanism" would be a more cumbersome version of health planning and all-payer payment plans, popular, but failed, ideas of the 1970's. In other forms the "joint mechanism" could introduce a degree of competition and market forces not previously seen in health care.

We will be sharing the NGA proposals with Connie Horner so they can be reflected in the study of health care issues now underway at HHS.

Attachment

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
11. Memo	From Roger Porter to John Sununu Re: Orange Juice Tariffs (1 pp.)	8/1/90	P5	

Collection:

Record Group: Bush Presidential Records
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THE WHITE HOUSE

WASHINGTON

August 1, 1990

THE CHIEF of STAFF
has seen

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER *RBP*
SUBJECT: Orange Juice Tariffs

This memorandum provides briefing for your meeting with Senator Connie Mack, Congressman Andy Ireland, and Congressman Tom Lewis regarding the tariff on imported frozen concentrated orange juice. The meeting is scheduled for Wednesday, August 1 at 11:30 a.m.

The U.S. is negotiating to reduce U.S. and foreign tariffs in the Uruguay Round. GATT tariff negotiations take the form of horse-trades, where countries swap tariff cuts of approximately equivalent trade value. Because most U.S. tariffs are low, we are under particular pressure to cut our remaining high tariffs, including orange juice.

The orange juice tariff is being handled in the agriculture negotiations, which are at a preliminary stage because of differences with the Europeans.

The Florida growers strongly oppose any reduction in the current U.S. tariff of 9.25 cents per liter on imported frozen orange juice concentrate. They are concerned about competition from Brazil. Governor Martinez and the Florida Congressional Delegation have met several times with USTR on the issue.

The Florida delegation will argue that Brazilian orange juice is unfairly traded, based on previous antidumping and countervailing duty cases. If pressed, it may argue that the U.S. industry cannot compete and needs continued protection.

Recommendation: That you promise to look into the problem, but avoid any commitments on the tariff. You might try to deflect the issue back to USTR. Suggested talking points are attached.

Attachment

TALKING POINTS
MEETING WITH SENATOR MACK, CONGRESSMAN IRELAND, AND
CONGRESSMAN LEWIS REGARDING ORANGE JUICE
(August 1, 1990)

- o I understand your concern about the orange juice tariff.
- o We oppose unfair trade practices and are not going to reduce our tariffs unless foreign subsidies are cut as well.
- o The agriculture negotiations are at a very preliminary stage, because of our differences with the Europeans.
 - The U.S. will not be making a proposal regarding specific tariff cuts until October.
 - When a U.S. proposal is drafted, particular care and attention will be given to import-sensitive items.
- o I will raise the issue with Carla.
- o Let's keep in touch.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
12. Memo	From Roger Porter to John Sununu Re: Mark Hatfield and Math and Science Legislation (1 pp.)	6/8/90	P-5	

Collection:

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Series: Sununu, John, Files
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THE WHITE HOUSE

WASHINGTON

June 8, 1990

THE CHIEF of STAFF
has seen

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER *RBP*

SUBJECT: Mark Hatfield and Math and Science Legislation

Nancy Kennedy, Assistant Secretary for Legislation and Congressional Affairs at the Department of Education and a long-time pro on Capitol Hill, informed me this evening that Senator Mark Hatfield is bound and determined that there will be a math and science bill this year.

Senator Hatfield has a bill that provides for ten regional consortia of institutions of higher education to undertake research into teaching math and science. His bill has been folded into Senator Kennedy's S. 2114 omnibus math and science bill that we discussed with Secretary Cavazos in your office recently. You will recall that Kennedy's bill consists of approximately 25 different categorical programs, most of which are duplicative of already existing programs within the Department of Education, and most of which would put responsibility for these programs in NSF.

At the meeting in your office we agreed that the Administration would vigorously oppose the Kennedy omnibus measure while developing our own proposal that we would take through the budget process and announce in next year's State of the Union Address.

Senator Hatfield is likely to raise the issue with you during the course of the budget negotiations. Secretary Cavazos and Nancy have been actively communicating our opposition to S. 2114 and, understandably, want to be certain that our position has not and will not change.

I will let you know if Senator Hatfield contacts me about his consortium bill. Please let me know if he raises the issue with you. I have asked Nancy to provide me with more in the way of details regarding what precisely is in Senator Hatfield's proposal and will share it with you when it is available.

THE WHITE HOUSE

WASHINGTON

July 10, 1990

THE CHIEF of STAFF
has seen

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: LARRY LINDSEY

SUBJECT: Deductibility of State Taxes for Multinationals

Kenneth Derr, Chairman and Chief Executive Officer of Chevron has requested a meeting with you to discuss an IRS ruling on the deductibility of state taxes for multinational companies. This memorandum provides background information on Mr. Derr's concern and results from a meeting with other representatives from Chevron.

1. States often use different tax bases than the federal government for the taxation of corporate income. Differences may involve depreciation schedules, depletion rules, or the treatment of foreign source income. As a result, the sum of the taxable incomes for a company which operates in all 50 states may be different from (and is likely to exceed) its federal taxable income.
2. The IRS has ruled that companies may only deduct state taxes on income up to their federal taxable income on their federal tax forms. Thus, if a company's taxable income in the 50 states exceeds its federal taxable income, part of its state tax deduction is disallowed. The IRS has ruled that if a company can show that the reason for the discrepancy is something other than foreign source income, it will not be penalized.
3. Chevron argues that this non-deductibility raises its cost of doing business and makes American multinationals less competitive. Chevron is particularly hard hit because of its heavy California orientation. California uses a worldwide unitary tax system which effectively expands the tax base above federal levels. They estimate that this ruling costs them close to \$10 million per year.
4. The IRS and Treasury argue that they are just disallowing deductions applicable to foreign source income. They argue that California's choice to effectively include some foreign source income in its tax base is California's problem and is not one that the Treasury should be on the hook for.

I would be happy to discuss this matter with you more fully at any time.



Chevron U.S.A. Inc.

1700 K Street, N.W., Washington, DC 20006
(202) 457-5800

Clair Ghylin
Vice President

June 29, 1990

The Honorable
John H. Sununu
Chief of Staff
The White House
Washington, D. C. 20500

Dear Mr. Sununu:

Our Chairman and Chief Executive Officer, Mr. Kenneth T. Derr, will be in Washington on July 17 and 18 and has indicated to me that he would very much like to sit down with you to discuss an issue affecting U. S. multinational corporations. As a way of background, I am enclosing a memorandum which more fully outlines Chevron's concern about the adverse impact on the competitiveness of U. S. multinationals caused by positions taken by the IRS on state tax allocation to foreign source income.

Mr. Gary Fisher of my staff is in contact with your office to arrange a convenient time for a meeting. Background materials, in addition to the paper, are enclosed. We would be happy to provide any additional information in advance of the meeting, and Mr. Derr looks forward to discussing this important matter with you.

Sincerely,

Enclosure



Chevron U.S.A. Inc.

1700 K Street N.W., Suite 1200, Washington, D.C. 20006
Phone (202) 457-5800

Gary K. Fisher
Washington Representative

Withdrawal/Redaction Sheet

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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
13. Memo	From Larry Lindsey to Roger Porter Re: Earned Income Tax Credit Story (2 pp.)	6/22/90	P 5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Sununu, John, Files
Subseries: White House Offices File
WHORM Cat.:
File Location: Policy Development
(Porter) (1990) [1]

Open on Expiration of PRA
(Document Follows)
By JP (NLGB) on 10/28/05

Date Closed:	12/15/2004	OA/ID Number:	29181-002
FOIA/SYS Case #:	1998-0004-F[1]	Appeal Case #:	
Re-review Case #:	2005-0426-S	Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
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P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

THE WHITE HOUSE

WASHINGTON

June 22, 1990

MEMORANDUM FOR ROGER B. PORTER

FROM: LARRY LINDSEY

SUBJECT: Earned Income Tax Credit Story

THE CHIEF of STAFF
has seen JUL 12 1990

The Administration may need to respond to news reports implying that the Earned Income Tax Credit (EITC) is a flawed method of providing child care benefits and other forms of income support to low income working families. These stories show that for 1985 40 percent of taxpayers receiving the EITC were not eligible. The stories may be intentionally timed to coincide with the conference committee's meetings on child care legislation. Superficially, the report undermines reliance on EITC in favor of the ABC direct grant method.

The truth is on our side. Properly handled, these facts will show the EITC remains the best method for delivering child care assistance. Further, the Administration will also be able to establish its record in favor of tax simplification for America's working families.

Secretary Brady may address this issue during his appearance on the Sunday network talk shows. He has been given the following three points as suggested talking points. We suggest that the Administration follow his lead and emphasize these points.

1. The "news" is in fact old.

Information indicating substantial compliance problems with the EITC has been available since January to both the Administration and staff on the Hill. The recent news report is based on the 1985 Taxpayer Compliance Measurement Profile (TCMP), a recurring IRS survey of taxpayers which takes place every three years.

2. The alleged ineligibility is due to the complexity of the law, and not due to any massive attempt to defraud the system.

The primary reason why individuals are ruled ineligible under the TCMP audit is that they were not able to prove that they provide a majority of the dependent's support or qualified for Head of Household status. For example, the definition of support includes government assistance such as AFDC payments. Thus, a single mother with a young child who was on welfare for

7 months of the year leaves AFDC and gets a job at that level of wages. She is technically not eligible for the EITC on her wage income. That is because the wages from her job provided less than half of the household's support for the year. This rule is contrary both to the objectives of encouraging such people to get off welfare and to basic notions of fairness.

Another reason for the apparently high ineligibility rate is the strict standards of the TCMP audit. The burden of proof is on the taxpayer. Audited taxpayers are required to provide detailed backup material sometimes including marriage certificates, birth certificates, and extensive household income and expenditure records. The strictness of these standards may exaggerate the extent to which non-compliance actually exists.

It should also be remembered that the TCMP is based on a relatively small sample of taxpayers. In the 1985 survey only 2700 taxpayers out of some 6 million who actually received the EITC were interviewed.

3. The Administration is already taking action to solve this problem.

On April 19, 1990, the Treasury Department sent a letter to Ways and Means Chairman Rostenkowski identifying the filing status requirements and the definition of dependent as meriting simplification and stating our willingness to work with his committee on his tax simplification efforts.

THE WHITE HOUSE

WASHINGTON

June 26, 1990

90 JUN 26 P2: 56

THE CHIEF of STAFF
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MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER *RBP*

SUBJECT: Public School Finance and the State Courts

The issue of disparities in state education financing has become a major issue in the state courts. Most recently, New Jersey's Supreme Court declared the state's system of financing public schools unconstitutional. Like many states, New Jersey finances public education primarily through local property taxes which can produce funding disparities among school districts.

1. New Jersey's Supreme Court joins courts in nine other states, most recently Kentucky and Texas, in deeming the state's school financing system unconstitutional.

In the opinion of the New Jersey court, school financing disparities between the state's urban and suburban districts violate the state's constitutional requirement of a "thorough and efficient" education. The court did not take the equalization effect of federal assistance to poor areas into account in its decision.

Last October, the Texas Supreme Court ruled that Texas' school financing system violated the constitutional requirement for an "efficient" system to achieve a "general diffusion of knowledge." On similar grounds, courts in four other states, Kentucky, Montana, Washington, and West Virginia have declared their educational finance systems unconstitutional.

Arkansas, California, Connecticut, and Wyoming courts have used "equal protection" clauses under the state constitution to invalidate their public education finance systems.

2. Judicial action in school finance decisions ranges from requiring a state to revamp its financing system to threats of direct court intervention in school finance restructuring.

New Jersey's court order calls for equalized spending between the poorest and wealthiest districts and improved programs for poor urban youth. The order reflects the court's view that "money alone has not worked."

The Texas Supreme Court imposed a June 21 deadline for enacting an acceptable plan after which time an alternative finance system devised by court appointees would take effect.

3. State proposals to remedy finance disparities include tax increases and plans for redistribution of state education aid.

Kentucky enacted legislation ensuring a minimum level of resources for each school district. This year, increases in state aid will range from eight to twenty-five percent.

After two successful vetoes, Governor Bill Clements struck an eleventh-hour compromise with the Texas legislature aimed at equalizing education spending across the state. The half billion dollar plan includes a .25 cent increase in the state sales tax, and increases in various "sin" taxes and other state fees.

In a party-line vote last week, the New Jersey State Assembly approved Governor James Florio's plan to revamp its school finance system by redistributing state educational aid from wealthier suburban to poor urban school districts and raising income taxes on residents earning above \$100,000. Reportedly, poor urban districts will gain up to forty percent more aid under the plan.

4. The need to remedy school finance disparities can open opportunities for state leaders to enact important school improvement measures.

The Kentucky court decision paved the way for state leaders to overhaul the state's top-down system of school governance and implement local control and accountability. The new law empowers school-based councils composed of parents, teachers, and principals with decision-making authority and establishes a state-level system of rewards for schools and teachers who perform well. Students attending schools deemed "unsuccessful" now have the right to choose a "successful" school.

5. Other states are anxiously watching the outcome of the growing number of successful legal challenges in school finance cases.

Litigation is pending in up to twelve states across the country. Many states are initiating reviews of their public education finance systems and reporting similar gaps in spending levels.

As the attached editorial suggests, reducing disparities in state spending for education will not guarantee that schools will perform better. As you continue to emphasize, empowering parents through greater choice, increasing local flexibility in decision making and accountability for results, and strong leadership are essential if our investment in education is to make a difference and our schools are to ensure that all children succeed.

Spend Fairly for Schools. Then What?

The New Jersey Supreme Court's remarkable decision on poor school districts deserves national notice for reasons of justice and elemental decency. The state legislature will now have to spend as much on poor districts as on rich ones. But eliminating spending inequities is only a starting point. A quality education for all students cannot be conferred even by model court decisions or assured even with money. It will have to be worked for, district by district.

Most districts are funded by state aid and local taxes. Reliance on property taxes inevitably means wealthier districts can raise and spend more for education. In 1973, this disparity was challenged in the Supreme Court. It refused to declare education a fundamental right, and advocates of equal spending were left to battle in state courts and legislatures. Several states, including Connecticut, have required new funding plans.

That was supposed to have happened in New Jersey as the result of a 1975 State Supreme Court decision. It led to a new state funding law and forced the imposition, for the first time, of a state income tax to help equalize spending among districts. But dollar disparities persisted, prompting the Education Law Center, an advocacy group in Newark, to file another suit in 1981, on behalf of four of the state's poorest, and poorest-performing, districts.

In deciding that case, the State Supreme Court has now gone beyond other state courts by insisting that New Jersey provide enough aid to poor districts to allow them to provide a "thorough and effi-

cient" education as guaranteed by the State Constitution. Wealthier districts are still allowed to spend more on education, but if they do, the state must increase aid to poorer districts.

Similar efforts to equalize spending in New York through litigation have not been successful. Meanwhile, legislative distribution of school aid has persistently shortchanged New York City and its growing proportion of students with special needs. Justice and equity demand aggressive efforts to close such school funding gaps. But improving education can only start with spending.

A vast 1986 survey by James Coleman and other scholars found that minority student success turned largely on the educational backgrounds and aspirations of their fellow students and their sense of control over their individual destinies.

Since then, with family life increasingly chaotic, schools are being asked to assume even more responsibilities. Many studies have since demonstrated factors on which a school's success turns the most. One is the leadership and shared sense of purpose provided by the principal. Another is treating teachers like professionals. A third is giving individual schools flexibility and autonomy.

Yes, as the New Jersey Supreme Court observes, education is essential if children in poor urban areas are to become successful citizens. The court's decision will help insure that there's enough money. But courts can only decide cases; they can't make schools work. That can't be done without money, but neither can it be done with money alone.

THE WHITE HOUSE

WASHINGTON

January 8, 1990

THE CHIEF of STAFF
has seen

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER *RBP*

SUBJECT: Measuring Poverty

This memorandum is in response to your request for information regarding the measurement of poverty in America.

1. The Bureau of the Census uses before-tax cash income to determine whether someone is below the poverty line.

Wages, self-employment income, private transfer payments such as child support and alimony, and cash transfers from the government are all included. Non-cash government and private benefits including Food Stamps, Medicare, and employer provided health insurance are excluded. The imputed rental subsidy from public housing or from family-provided shelter is not considered. Also, there is no variation for regional cost variation.

2. The poverty threshold was originally based on the share of a family budget spent on food.

The 1955 Household Food Consumption Survey found that an average family of three or more spent one third of its budget on food. Beginning in 1964, the Social Security Administration began using this fact to calculate a statistical measure of poverty by trebling the cost of the 1961 USDA economy food plan (a minimal food basket meeting then recommended dietary allowances) for families of different sizes and demographic characteristics. Since 1969, the poverty levels have not been updated according to food prices, but according to changes in the overall Consumer Price Index. In 1988, the threshold was \$6,024 for a single individual, \$12,092 for a four person family, and \$20,279 for an 8 person family.

3. OMB also generates a set of poverty guideline numbers for use in administering federal programs including Food Stamps, WIC, and Head Start.

These guidelines are approximations of the expected poverty level in the next year. The actual poverty level will not be known until the year is over, so the OMB figures are necessary and timely projections so that programs can be administered. The OMB figures are calculated by a formula based on the Census

poverty levels for the preceding year and inflation. In 1989, the OMB poverty guidelines are \$5,980 for the first person plus \$2,040 for each additional family member, making it \$12,100 for a four person family and \$20,260 for eight persons.

4. Over the last 20 years, America has made economic progress but has suffered a demographic setback in fighting poverty.

Even though real family incomes have risen substantially in the past 20 years, the measured poverty rate actually rose from 12.8 percent in 1968 to 13.1 percent in 1988. The progress is evident if you control for demography: the poverty rate declined 3 percent among persons in female headed families, 17 percent among persons in other families, and 39 percent among unrelated individuals. The overall poverty rate rose, however, because of the rapid expansion in the number of female headed households. Had the household composition not changed over the last 20 years, the poverty rate today would be 10.6, not 13.1 percent. Alternatively, had no economic progress been made since 1968 and the poverty rate had remained the same among all demographic groups, the poverty rate would have risen to 15.9 percent.

5. On net, the existing measure of poverty probably exaggerates the actual level.

Probably the most serious shortcoming is the exclusion of non-cash assistance such as Food Stamps, Medicaid, and housing, which have increased dramatically in the last twenty years. There is also substantial underreporting of income, in part because the survey is taken after the period in question has ended. In a special tabulation for OPD, the Census Bureau used data from another survey which goes back to the same families over a period of time (which is contemporaneously collected) and included the value of non-cash benefits to arrive at a 1984 poverty rate of 7.4 percent instead of 14.4 percent derived using the "official" measure of poverty.

There are also some reasons to expect the current system to undercount the poor. This includes the use of before-tax, rather than after-tax income and the undercounting of certain groups such as the homeless in the survey.

The Council of Economic Advisers calls for reassessment of the method used to calculate poverty in the 1990 Economic Report to the President.

Withdrawal/Redaction Sheet

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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
14. Memo	From Roger Porter to John Sununu Re: China MFN (2 pp.)	5/16/90	P5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Sununu, John, Files
Subseries: White House Offices File
WHORM Cat.:
File Location: Policy Development
(Porter) (1990) [1]

Open on Expiration of PRA
(Document Follows)

By JP (NLGB) on 10/28/05

Date Closed:	12/15/2004	OA/ID Number:	29181-002
FOIA/SYS Case #:	1998-0004-F[1]	Appeal Case #:	
Re-review Case #:	2005-0426-S	Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

RESTRICTION CODES

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Freedom of Information Act - [5 U.S.C. 552(b)]

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THE WHITE HOUSE

WASHINGTON

May 16, 1990

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER *RBP*

SUBJECT: China MFN

By June 3, the President must certify to Congress whether he will continue to extend "most-favored nation" (MFN) tariff treatment to the Peoples' Republic of China. If the decision is made to continue MFN, Congress will likely attempt to override it. The President, however, probably has more than enough votes to sustain a veto.

Under the Jackson-Vanik provisions of the Trade Act of 1974, the President can grant MFN to a Communist country only if: (1) a bilateral trade agreement is negotiated; and (2) the country either allows freedom of emigration or the President waives the emigration requirement and certifies to Congress that the waiver will substantially promote freedom of emigration. The China waiver expires on July 3. The President must report to Congress on June 3, 30 days before the waiver expires.

The Administration is likely to be in a substantially better position on China MFN than on the Pelosi amendment. The Pelosi amendment was essentially a free vote for Congress.

With respect to China MFN, there are substantial U.S. business interests at stake. China is the 10th largest U.S. export market. If MFN is revoked, the Chinese will likely retaliate, as they have done in the past. In 1989, U.S. exports to China totalled \$5.81 billion. Key exports include grain (\$1.13 billion), aircraft (\$0.54 billion), fertilizer (\$0.49 billion), and power generating equipment (\$1.04 billion). For many of these products, alternative foreign suppliers are readily available.

U.S. companies also have important investments in China. Prominent examples include a McDonnell-Douglas joint venture to assemble aircraft and Chrysler's Jeep plant.

There is also broad concern about being squeezed out by the Japanese investors during a period of tension. The Japanese have expressed a strong preference for extending MFN. Prime Minister Kaifu is writing to the President to reinforce the message.

Finally, many prominent U.S. companies depend on imports from China and would suffer major losses if tariffs are increased. These include the toy industry and textile and apparel retailers.

The Administration's strategy of maintaining silence on this issue has forced U.S. businessmen to start to speak out publicly in favor of continued MFN. It might be useful for the Administration to consult with Congress on the issue, particularly if Congressional views are split, as appears to be the case. This could be done by convening a meeting of proponents and opponents of MFN and hearing them out. Consultations with Congress will make it easier to generate support for whatever decision the President makes and reduce any appearance that the Administration is acting on its own.

cc: Brent Scowcroft
Frederick D. McClure

THE CHIEF of STAFF
has seen

THE WHITE HOUSE
WASHINGTON

file

April 4, 1990

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER RBP
SUBJECT: Super 301 Announcement

Recent progress in bilateral trade negotiations with Japan has given the Administration new flexibility for dealing with this year's Super 301 announcement. Assuming the SII interim report is satisfactory and that we can resolve the remaining issues in the wood products talks, we should consider accelerating announcing that the Administration will not identify any countries as unfair traders under Super 301 this year.

The Japanese have moved significantly after the President's personal intervention with Prime Minister Kaifu at Palm Springs. We have settled the Super 301 cases initiated last year on satellites and supercomputers. The Japanese have promised to resolve the wood products Super 301 case, although I understand from Ambassador Hills that their latest offer does not deal adequately with their high tariffs. Finally, the Japanese have come forward with significant proposals in the Structural Impediments Initiative talks (SII). While the interim report is not yet finished, it appears likely to be a substantial step forward.

Because these concessions have been politically costly for Prime Minister Kaifu and the Liberal Democratic Party (LDP), naming Japan as an unfair trader in this year's Super 301 exercise could jeopardize the progress that has been made to date. In particular, the NSC believes that naming Japan under Super 301 could lead to the downfall of the Prime Minister, who has put himself at risk to try to reach agreements with us.

Assuming we can wrap up the remaining SII and wood products issues, we should consider some form of a zero option, i.e. no unfair countries and no unfair practices under Super 301 this year. If we adopt this approach, we should aim for an accelerated announcement that builds on the momentum likely to be generated by the SII interim report and that takes advantage of the fact that Congress will be out of town for the Easter recess.

-2-

I have discussed the idea with Dick Darman and Mike Boskin, who share my view on the policy wisdom of a zero option and of the merit in making the announcement early rather than waiting until April 30. I believe that Ambassador Hills would also be supportive, although I have not discussed it with her directly. I have attached an outline of a possible approach.

Attachment

cc. Richard Darman
Michael Boskin
General Scowcroft

POSSIBLE APPROACH TO SUPER 301

Super 301 -- By law, the Administration is required under Super 301 to identify priority foreign countries and unfair trade practices. Based on these identifications, it must initiate section 301 investigations of major unfair trade barriers in these countries.

The Zero Option -- The Administration would not designate any countries as unfair traders or initiate any section 301 investigations under Super 301. The option rests on two assumptions: (1) the SII interim report will make demonstrable progress toward removing Japanese structural impediments and (2) the wood products Super 301 can be resolved.

Pros

- Signals that the highest U.S. trade priority is the Uruguay Round by avoiding symbolic unilateralism of Super 301.
- Strengthens Prime Minister Kaifu's position and maintains current momentum toward non-confrontational resolution of trade disputes with Japan under SII.
- Could defuse escalating antagonism toward Japan by showing that trade disputes can be solved through negotiations.

Cons

- Will lead to some Congressional criticism, since Super 301 was centerpiece of 1988 Trade Act. (Criticism may well be containable if there is satisfactory progress on SII, satellites, supercomputers, and wood products.)
- Could blow up this fall if trade tensions with Japan worsen, the bilateral trade balance deteriorates significantly, or the Japanese fail to implement promised reforms. (The Executive Branch and the Japanese already have a credibility problem because of numerous unsuccessful efforts to address these issues.)
- Could raise legal problems, although the Department of Justice opined last year that a zero option was legal.

Timing -- We should aim for an early announcement to take advantage of the momentum likely to be generated by the SII interim report and the fact that Congress is out of session. The EPC is already scheduled to discuss the Super 301 issue next week. Accordingly, one possibility is Friday, April 13.

Contents of an Announcement -- The President's statement might address the following points:

- o Announce that there will be no unfair countries or practices identified under Super 301 this year;
- o Cite the encouraging progress in SII interim report and last year's Super 301 cases, but stress the need for further progress in the final report due in July;
- o Praise Prime Minister Kaifu;
- o Caution that, even though trade relations with Japan appear headed in the right direction, some friction is inevitable and that the Administration will continue to deal with issues as they arise by using section 301, the Uruguay Round, and other mechanisms;
- o Direct the negotiators to discuss with Japan a bilateral consultative mechanism to monitor implementation of satellite, supercomputer, and wood products agreements and SII interim and final reports. Monitoring could include regular reports on SII implementation and results. Mechanism might also include generic consultative procedures to head off disputes; and
- o Call on Congress to implement U.S. side of SII package.

Loose Ends -- There are a number of outstanding bilateral issues with Japan (listed below). There is some thought that we might try to wipe the slate clean before April 30 by agreeing to expedite negotiations on certain issues. While it may be possible to accelerate a few issues, it is unlikely that all existing disputes can be resolved in 120 days. New U.S. demands might also create a negative impression with the Japanese, who are likely to see them as piling on. Finally, from a political standpoint, it may be unwise to create unrealistic expectations that all U.S. trade problems with Japan are over. Some problems and frictions are inevitable in a complex and dynamic bilateral relationship, and will have to be dealt with in the normal course of business. The outstanding issues include the following:

- Semiconductors: The agreement is due to expire next year. The Japanese are nowhere near their market share target.
- Construction: Commerce is scheduled to review the Kansai Airport agreement in May.

- Amorphous Metals: Allied-Signal has filed a section 301 petition and USTR must decide April 19 whether to initiate an investigation.
- Sound Recordings: In a few weeks, the Recording Industry of America will file a section 301 petition challenging the discriminatory Japanese treatment of foreign sound recordings.
- Special 301 -- Decision is due April 30 on countries who do not provide adequate protection for intellectual property rights. Thus far, the Administration has managed to avoid initiating any section 301 cases.
- Procurement 301 -- Title VII of the 1988 Trade Act requires Administration to identify countries which discriminate against U.S. goods in their government procurement.
- Telecommunications -- There is an agreement in principle that Japan will eliminate certain barriers to U.S. telecommunications products and services and a 120-day deadline for reaching a final agreement.

Next Steps -- The following steps should be taken if a decision is made to proceed with a zero option:

- EPC assessment of SII interim report (likely this week) to ensure that option is politically viable;
- EPC review of Super 301 (scheduled for next week);
- Prepare Presidential decision memo and statement; and
- Congressional consultations and briefings by USTR.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
16a. Memo	From Roger Porter to POTUS Re: Mac O. Boring's Letter Concerning the Ector County Hospital District (2 pp.)	4/3/90	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Sununu, John, Files
Subseries: White House Offices File
WHORM Cat.:
File Location: Policy Development
(Porter) (1990) [1]

Open on Expiration of PRA
(Document Follows)
By JP (NLGB) on 10/28/05

Date Closed:	12/15/2004	OA/ID Number:	29181-002
FOIA/SYS Case #:	1998-0004-F[1]	Appeal Case #:	
Re-review Case #:	2005-0426-S	Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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THE WHITE HOUSE
WASHINGTON

April 3, 1990

FYI

✓
file

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER *RBP*

SUBJECT: Mac O. Boring's Letter Concerning the Ector County Hospital District

This memorandum responds to your request for an explanation of Mac O. Boring's concerns regarding how the Medicare and Medicaid reimbursement systems are affecting the Medical Center Hospital in Odessa, Texas, operated by the Ector County Hospital District.

1. Medicare pays hospitals a fixed sum for each patient admitted, using a formula that takes into account the complexity of the treatment provided. This creates the potential for individual hospitals to earn profits or to incur losses, depending on their actual expenses.

Before 1984, reimbursements were calculated for each hospital by auditing the actual costs the hospital incurred in providing covered care. The 1983 Social Security rescue legislation replaced this system with a Prospective Payment System (PPS). Under the PPS, Medicare pays hospitals a pre-determined amount for each of 475 types of diagnosis. These payments are based on the average cost of treating patients with a particular diagnosis, adjusted for local wage levels and similar factors. Payment for a heart attack, for example, is about twice the payment for pneumonia under this system.

By basing payment on industry-wide average costs, the PPS introduced economic incentives into the Medicare business for the first time. The most efficient hospitals -- those that deliver services at a cost lower than the industry average -- now can earn profits on Medicare business, while inefficient hospitals may incur losses.

2. Medicaid reimbursement is controlled by State policy.

Until 1980, Federal law required State Medicaid programs to follow Medicare reimbursement practices. The link between the

two programs was severed in 1980 when Congress passed a law giving States broad discretion in establishing Medicaid reimbursement policies. Any deficiency in the Medical Center Hospital's reimbursement for Medicaid-covered services is therefore a matter of Texas policy.

3. The figures that Mr. Boring cites in his letter are inconsistent with those that the Medical Center Hospital has filed with the Medicare program.

The Medical Center Hospital in Ector County, like all hospitals providing Medicare-covered services, files annual cost reports with HHS. According to these reports, the hospital incurred costs of \$17.68 million in providing Medicare-covered services and received \$17.65 million in reimbursement in 1989. The hospital thus incurred a loss of approximately \$30,000 in providing these services. The hospital reported a total loss of \$282,000 for 1989.

Mr. Boring's letter seems to imply that the hospital incurred costs of approximately \$36 million in providing Medicare-covered services. That figure, however, most likely represents the amount the hospital billed for those services, not the costs it actually incurred. This level of billing reflects a 100% mark up over costs, slightly higher than the average mark up applied by Texas hospitals. Medicare reimbursements were never based on amounts billed.

4. To allow hospitals to bill patients for Medicare-reimbursable services would defeat the purpose of the program and would increase the cost of Medicare supplemental insurance.

Individuals covered by Medicare often purchase Medicare supplemental insurance, or "Medigap," policies. These policies cover the amounts an individual may be required to pay under Medicare's deductible, co-insurance, and coverage limitation provisions. If hospitals were permitted to charge Medicare beneficiaries for amounts beyond the Medicare payment, Medigap insurers would have to charge higher premiums for these policies.

cc: Governor Sununu

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
16b. Memo	From POTUS to Roger Porter Re: Mac O. Boring's Letter Concerning the Ector County Hospital District (1 pp.)	3/25/90	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Sununu, John, Files
Subseries: White House Offices File
WHORM Cat.:
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THE WHITE HOUSE
WASHINGTON

DATE: 3-25-90

FROM THE PRESIDENT

TO:

Robert Porter

Please explain
this to me

I do not understand

It sounds horrible

GB

MAC G. BORING, JR.
POST OFFICE BOX 3427
ODESSA, TEXAS 79760

1010-6

Burns
February 23, 1990

THE PRESIDENT HAS SEEN

The Honorable
George Bush
President
of the United States
The White House
Washington, D.C. 20500

Dear Mr. President:

Here's another note from the old days when you and I were running the two best offshore drilling companies in the country -- Zapata Offshore and Dixilyn.

I am involved in trying to get the Ector County Hospital District on its feet. The District was recently formed and took the Hospital over from the County when it was close to becoming defunct after three successive years of deficits which total \$11.5 million.

In addition to periods of poor management, a major source of loss comes from Medicare and Medicaid contractual allowances. I will wager that you, like everyone I have discussed this with, do not understand what the statutes do to hospitals across the country. Here follows the problem:

Medicare pays approximately 50% of the hospital's cost of services rendered. The hospital can not bill the patient for the balance even if the patient has supplemental insurance, nor can they ask for the additional money except for the Medicare deductible and co-insurance which totals peanuts and is insignificant. The only way any of that difference can come to the hospital is if the patient should elect to make a donation to the hospital. The statutes make this so.

The Medicare contractual amount in 1989 for Medical Center Hospital in Ector County amounted to \$18,193,374 or 48 percent. In addition, the Medicaid contractals amounted to \$10,001,758 or 62 percent. This total of approximately \$28,000,000 compares to actual operating expenses of \$52,000,000. Add to this the bad debts and charity cases and one can readily see why so many hospitals are closing their doors.

I am not asking you to do anything about this since by comparison to your other decisions and efforts, it is insignificant. It is significant on the county level. My whole purpose was to see if you were aware of such a situation and if not, to inform you.

I think our national philosophy is to move as much welfare to the States as possible, and I can find no fault with that. However, this does make it seem ridiculous to buy supplemental insurance if you are on Medicare. It's a poor way for an individual to make money -i.e. pay premiums to collect insurance on medical care to put in your pocket.

My best regards to you and all your family and prayers for your efforts and decisions. I know you are giving this job your best shot and so far, it's been a truly great one. Sort of like killing three quail on a covey rise with three shots.

Yours very truly,

Mac

Mac O. Boring

MOB/vlp

*It's hard for me to believe that
it was the intent of the statute
to create this condition -*

M

THE WHITE HOUSE

WASHINGTON

April 23, 1990

1990 APR 23 PM 2:29

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER *RBP*

SUBJECT: Update on Choice in Education Initiatives

In your interview session last week with magazine editors, you mentioned that both Republicans and Democrats are supporting parental choice in education. This is underscored by recent state initiatives and other indicators of a growing choice movement in the United States and abroad.

1. As of this month, eight states have passed statewide choice initiatives. Half of these victories have been spearheaded by Democratic leaders.

Legislators in Idaho, Utah and Washington passed choice initiatives this session. They join Minnesota, Arkansas, Iowa, Ohio, and Nebraska. The most recent victory occurred two weeks ago when Washington Governor Booth Gardner signed his choice package into law. Governor Gardner publicly credits the Education Summit in Charlottesville as the turning point in his support of choice.

2. Polls indicate that minority parents are among the demographic groups most supportive of choice initiatives.

Sixty-seven percent of non-whites surveyed in the 1989 Gallup poll on education favored school choice, compared to a 60 percent overall support level for school choice.

3. Local trends in school choice seek to expand magnet school options and provide vouchers to extend educational choice alternatives to non-public schools.

One of your education initiatives pending in Congress would support state efforts to expand magnet schools that promote excellence in education to give parents greater opportunities to send their children to good schools.

Low-income parents in Milwaukee, Wisconsin can send their children to private, non-sectarian schools of their choice under a new voucher plan. Poor parents are discovering how vouchers can empower them to seek the quality education their children deserve.

4. Margaret Thatcher has championed parental choice in education as the centerpiece of England's educational reform efforts.

Mrs. Thatcher's choice plan allows parents to choose any government school for their children, with education funds following the student. Each school operates autonomously subject to a parent-elected board. Salaries for principals and teachers are based on the enrollment a school attracts.

Choice in education is clearly an idea whose time has come.

THE WHITE HOUSE

WASHINGTON

1990 APR 23 PM 2:29

April 23, 1990

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER *RBP*
SUBJECT: Mentoring and Education Study

Some good news on the education front. An idea you have urged, expanding mentoring programs, like the Cincinnati Youth Collaborative we visited, is proving successful. A survey of 400 high school students from sixteen cities across the nation shows that well-constructed mentoring programs result in improved attitudes and increased student achievement. The survey found that:

1. Students with mentors set higher goals and expectations for themselves and improve their grades.

Almost three-fourths of the students reported they were inspired to try harder in school and a similar number (73%) reported that having mentors improved their self-confidence. Almost sixty percent saw an improvement in their grades.

2. Mentoring programs contribute positively to a student's ability to handle challenges facing school-age youth.

Over half (53%) of those surveyed said their mentor helped them stay away from drugs and helped keep them "out of trouble" (52%). Two-thirds reported an improved understanding of other races, almost three-fifths (57%) "got along better" with teachers, and nearly half (46%) "got along better" at home.

3. Mentors also experienced positive benefits from participating in mentoring programs.

A concurrent study of 400 mentors showed that, as a result of being involved in mentoring, adults were more motivated to fulfill other responsibilities (45%) and found relations with their children (22%) and spouses (16%) improved.

Members of your Administration are supporting mentoring programs. Attorney General Thornburgh recently announced he will allow eight hours of administrative leave each month to Department of Justice employees who are interested in mentoring D.C. public school students. Secretary Dole called for a nationwide mentoring effort on March 28 in an address to the National Mentoring Conference.

THE WHITE HOUSE

WASHINGTON

April 15, 1990

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER *RBP*

SUBJECT: Progress in Reducing Pollution

THE CHIEF of STAFF
has seen

On April 5, EPA released its latest annual urban air quality trends report showing progress from 1979 to 1988 in reducing ambient levels of most major air pollutants. According to the report, ambient lead levels in cities declined by 89 percent over this time period, sulfur dioxide levels declined by 30 percent, carbon monoxide levels declined by 28 percent, particulate levels declined by 20 percent, and nitrogen oxide levels declined by seven percent. During this same 10-year period, however, ambient smog levels increased by two percent. This slight increase is due in part to the hot summer of 1988 which alone caused an eight percent increase in ozone levels compared to 1987.

Although the same type of data are not collected for water pollution levels, existing evidence also suggests progress. Today over 99 percent of the Nation's streams are designated for water uses equal to or better than the "fishable/swimmable" goal mandated by Congress in 1972. Similarly, the total population served by secondary water treatment for sewage has increased from 85 million in 1972 to 127 million in 1986. During the same time period, the total population discharging untreated wastewater to rivers or lakes dropped from 5 million to less than 2 million.

One of the most important success stories is the recovery of the Great Lakes, which contains 20 percent of the world's fresh water. Through the Great Lakes Water Quality Agreement, the U.S. and Canada have spent \$7.6 billion to reduce water pollution in the Great Lakes since 1972. In addition to constructing and upgrading municipal sewage treatment facilities, the U.S. and Canada have controlled phosphorus discharges and limited the amounts of phosphates allowed in laundry products. These efforts have significantly improved water quality in the Great Lakes, particularly in Lake Erie. There has also been notable progress in reducing water pollution through programs such as the Chesapeake Bay Program.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
17. Memo	From Larry Lindsey to Andy Card Re: CTFC vs. SEC (1 pp.)	4/30/90	P-3	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Sununu, John, Files
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1

THE CHIEF of STAFF
has seen

THE WHITE HOUSE

WASHINGTON

April 30, 1990

MEMORANDUM FOR ANDY CARD

FROM: LARRY LINDSEY ^L
SUBJECT: CFTC vs. SEC

I understand that you have become involved in the CFTC vs. SEC issue. Please find attached a memo I wrote a while back on this jurisdictional dispute.

Basically, I feel that we would have to be nuts to become involved. There is no compelling policy reason to shift jurisdiction in any of the ways being considered. Further, I cannot see why we'd want to take on a legislative battle with Bob Dole and Dan Rostenkowski on the other side of the issue.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
18. Memo	From Larry Lindsey to Roger Porter Re: CTFC vs. SEC (4 pp.)	4/4/90	P-5	

Collection:

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THE WHITE HOUSE

WASHINGTON

April 4, 1990

MEMORANDUM FOR ROGER B. PORTER

FROM: LARRY LINDSEY

SUBJECT: CFTC vs. SEC

A schism is developing within the Administration regarding regulatory jurisdiction issues between the Commodities Futures Trading Commission (CFTC) and the Securities Exchange Commission (SEC). This memorandum analyzes this issue, and recommends a future course of action.

Background: Securities vs. Futures Regulation

At present the SEC has regulatory jurisdiction over the trading of securities (involving the ownership of financial assets) and the CFTC has jurisdiction over the trading of futurity contracts. The distinction is somewhat artificial as a basis for allocating jurisdiction as securities depend crucially on market assumptions regarding future developments and futures contracts have many of the aspects of a security. The courts have held that any instrument with an element of futurity belongs in the CFTC's jurisdiction. This has prompted concern at the SEC about its ability to effectively police the stock and other securities markets.

The SEC argues that in the case of stocks and stock index futures, the link in valuation between security and future is quite direct. Furthermore, because stock index futures are traded on a secondary market, they are revalued continuously, just as the value of the underlying security, the stock, is revalued. This allows a number of strategies for controlling risks by trading simultaneously in both markets. Therefore, the SEC maintains that effective regulation of stock market risk requires a shift in regulatory jurisdiction to a single agency.

Three strategies have been proposed to accomplish this:

- (1) Merge the SEC and the CFTC into a single regulatory body.
- (2) Transfer jurisdiction over financial futures to the SEC.
- (3) Transfer regulation of stock index futures to the SEC.

A Reagan Administration Executive Order set up a four person working group to discuss jurisdictional and other issues relating

to the regulation of financial markets. The order followed the Brady Commission report on the October, 1987 stock market crash. The four members of the working group are Dep. Sec. Glauber (representing Sec. Brady), Chairman Greenspan of the Fed, Chairman Breeden of the SEC and Chairman Gramm of the CFTC.

Glauber and Breeden favor a move of regulatory jurisdiction to the SEC. Glauber publicly endorsed a limited transfer of stock index futures, although his actual views are unknown. Breeden leans to a broader solution including a merger of the CFTC and the SEC. Gramm opposes any transfer of authority to the SEC. Greenspan tends to agree with her, although he has said that he could "reluctantly" support a transfer of stock index futures.

Analysis of the Standard Case for Change

The case for shifting jurisdiction is based on four premises. While each of these premises is superficially plausible, the bulk of the evidence indicates that the case for change does not survive scrutiny.

Enhanced Volatility and Risk. Supporters of a shift in jurisdiction maintain that the presence of a lightly regulated futures market increases the volatility in the primary market. The overwhelming majority of the finance profession believes that this is not supported by either theory or the data. Chairman Greenspan reflected this professional consensus when he testified that he "does not believe that the division of regulatory authority has increased volatility in the securities markets, nor in this regard is it a threat to the capital formation process."

Intermarket Fraud. The existence of split regulation could, in theory, open up regulatory cracks which would permit unscrupulous practices. Most typical of this class of potential abuses is "frontrunning", manipulating price movements on the thinner exchange (generally futures) in order to induce profitable price moves on the other exchange. A joint investigation by the SEC and CFTC of the October 1987 crash found no evidence of frontrunning. Furthermore, neither the SEC nor the CFTC have ever filed enforcement actions for frontrunning.

One Regulator is Better than Two. This is a particularly plausible claim on the surface. However, there is a corollary theorem of public policy that one regulator should not be asked to carry out competing missions. The SEC is presently in that role. It is both a policeman of securities issuance and a regulator of trading. As a result of the 1929 Crash and this dual function, the SEC instituted policeman type rules in the trading pits which are inappropriate. Most famous is the downtick rule which limits short selling. This is mildly distortionary on the cash market which the SEC regulates. It would be disastrous on the futures market where free price

movement and regulatory price neutrality are essential. If we were to reorganize the regulation of our financial markets, it would make more sense to take regulation of the stock exchanges away from the SEC, leaving them as a securities commission regulating issuers, and turn the trading function over to the CFTC.

Confused Jurisdiction Limits Innovation. We are in a highly competitive world with a global financial industry. Therefore, supporters of a single regulatory jurisdiction maintain that having a single regulator would speed up the approval process. Good point. But, the courts have held that any instrument with an element of futurity belongs to the CFTC. End of jurisdictional confusion. Further history indicates that this is the "right" result from an innovation point of view, as the CFTC and the exchanges it regulates have been the most progressive.

Reasons for Maintaining the Status Quo

The best reason for maintaining the status quo is the old adage, "if it ain't broke, don't fix it". As the above discussion indicates, advocates of change have not met the requisite burden of proof. There are two additional reasons not to change jurisdiction that should be considered.

Maintain Competitiveness Through Flexibility. While there is no necessary relationship between the structure of our regulatory institutions and the competitiveness of our markets, the concentration of regulatory authority over the financial system would be, in Greenspan's words, "a matter of concern". Most public policy models of regulatory behavior would suggest that a large single agency would be less innovative than two smaller, somewhat competing, agencies.

Political Opposition From the Agriculture Community. A letter signed by all of the farm groups, from the Farm Bureau to the National Farmers' Union, has been delivered in support of the CFTC. Removal of any major area of jurisdiction from the CFTC will be seen as an unravelling of their influence. As a majority of CFTC regulated transactions are financial, this concern is probably justified.

A Modest Adjustment

The standard case for a change in jurisdiction does not seem supportable. However, some more modest changes could be made.

1. Expand the Reagan created Working Group to include an odd number of members. The Reagan executive order should be modified to expand the group to either five members, by adding the CEA Chairman or his designee, or to seven members, by adding CEA, OMB, and the White House Counsel.

This will break the current deadlock and lay the groundwork for future action.

2. Coordination of the level of risk tolerated in the futures and cash markets should be encouraged by the working group. It would not be desirable to have one market be either more crash prone or less flexible than the other market. To the extent that either is the case, one market would have to perform risk absorption functions for the other market. Circuit breakers and margin requirements should be coordinated between related markets to allow roughly equal amounts of risk (defined in terms of "crash" probability or market illiquidity) in the two markets. Since the underlying risks in the two markets are different, equal riskiness implies different sets of rules for each market. But, different does not necessarily mean uncoordinated.
3. Require the CFTC to set minimum margin requirements for its markets. Presently, those exchanges set their own margin requirements and vary them according to the perceived levels of risk and liquidity in the market. Setting minimum margin requirements would create the appearance both of action by the Administration and of reducing the volatility problems which some advocates of stronger action allege exist.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
19. Memo	From Roger Porter to John Sununu Re: Telecommunications Trade Negotiations (1 pp.)	2/13/90	P-5	

Collection:

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(b)(9) Release would disclose geological or geophysical information

Information

THE WHITE HOUSE

WASHINGTON

February 13, 1990

THE CHIEF of STAFF
has seen

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER *RBP*
SUBJECT: Telecommunications Trade Negotiations

This memo alerts you to a quick-turnaround decision that the President will need to make by next Tuesday, February 20.

On Friday, Ambassador Hills is likely to recommend that the President extend ongoing telecommunications negotiations with the European Community (EC) and Korea for one year. Her recommendation has been delayed by last-minute negotiations with Korea, which are scheduled for this Thursday. The statutory deadline for the President's decision is February 20.

Last year, USTR initiated negotiations under the 1988 Trade Act aimed at opening closed telecommunications markets in Korea and the EC. While progress has been made with both the Koreans and the Europeans, an extension of the negotiating period would offer an opportunity to lock in previous commitments and seek additional concessions.

The EPC agencies have already agreed to recommend that the President extend the EC negotiations for one year. There was tentative agreement to extend the Korean talks as well, although it was eventually concluded that a formal recommendation should await a final round of talks scheduled for this week. The inter-agency recommendations are being held closely in order to maintain pressure on the Koreans.

According to USTR, there is general support in the business community and the Congress for an extension.

cc: James W. Cicconi
David Q. Bates ✓

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
20. Memo	From Roger Porter to John Sununu Re: Luncheon w/Policy Development Staff (2 pp.)	1/4/90	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Sununu, John, Files
Subseries: White House Offices File
WHORM Cat.:
File Location: Policy Development
(Porter) (1990) [1]

Open on Expiration of PRA
(Document Follows)
By *JP* (NLGB) on 10/28/05

Date Closed: 12/15/2004	OA/ID Number: 29181-002
FOIA/SYS Case #: 1998-0004-F[1]	Appeal Case #:
Re-review Case #: 2005-0426-S	Appeal Disposition:
P-2/P-5 Review Case #:	Disposition Date:
AR Case #:	MR Case #:
AR Disposition:	MR Disposition:
AR Disposition Date:	MR Disposition Date:

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
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C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

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THE WHITE HOUSE

WASHINGTON

January 4, 1990

MEMORANDUM FOR GOVERNOR SUNUNU

FROM:

ROGER B. PORTER *RBP*

SUBJECT:

Luncheon with Policy Development Staff

Today at noon you will be hosting seven members of the White House economic and domestic policy staff for lunch. You previously approved promoting four of our Associate Directors, Steve Farrar (International Economic Policy), Larry Lindsey (Domestic Economic Policy), Nancy Maloley (Energy, the Environment and Natural Resources), and Marianne McGettigan (Legal Policy) as commissioned Special Assistants to the President.

This will be an opportunity for you to let them know how much you appreciate what they have done. Collectively, this group, along with Bill Roper, Jim Pinkerton, and myself, have played a major role in a large number of issues over the past year including:

- The Comprehensive Violent Crime Control Act
- The Education Excellence Act
- The Clean Air Act
- The Americans with Disabilities Act
- Child Care
- Steel Liberalization Program
- Super 301
- Education Summit Conference

A copy of the resumes of Farrar, Lindsey, Maloley, and McGettigan are attached.

They are excited about their promotions, which I announced to them this morning and which you may wish to congratulate them. It makes sense to have this be a substantive meeting and I have asked each of them to think of an issue they have been working on that they would like to briefly discuss.

I suggest that you call on the four newly commissioned officers first and then Pinkerton and Roper, both of whom have been commissioned from the beginning of the administration as Deputy Assistants to the President.

The subjects they will likely raise are as follows:

Steve Farrar

International Debt Situation
(Steve has worked closely with

-2-

Treasury and did the first draft
of the memo that went to the

Presi-

dent on this issue)

Larry Lindsey

Child Care

Nancy Maloley

OCS Task Force
Wetlands

Marianne McGettigan

Death Penalty

I thought Jim Pinkerton might discuss where the Democrats were likely to hit us. Finally, Bill Roper can talk about some discussions we have had on medical malpractice and a meeting the two of us had with Secretary Sullivan and some of his people from HHS.

OFFICE OF THE ASSISTANT TO THE PRESIDENT FOR ECONOMIC AND DOMESTIC POLICY

Assistant to the President for Economic and Domestic Policy....	Roger B. Porter
Confidential Assistant.....	Nancy M. Jones
Staff Assistant.....	Mary Jane Burgess
Senior Policy Analyst.....	Bradley Mitchell
Deputy Assistant to the President for Domestic Policy and Director, Office of Policy Development.....	William L. Roper
Confidential Assistant.....	Denise Nix
Senior Staff Member for Special Projects.....	Emily Mead
Associate Director for Domestic Economic Policy.....	Lawrence Lindsey
Senior Policy Analyst.....	Andrew Mitrusi
Staff Assistant.....	Jean Golub
Associate Director for International Economic Policy.....	Stephen Farrar
Deputy Associate Director.....	Warren Maruyama
Staff Assistant.....	Cathy Mays
Associate Director for Environment, Energy, and Natural Resources Policy.....	Nancy Maloley
Senior Policy Analyst.....	Paul Roellig
Staff Assistant.....	Anna Jenkins
Deputy Associate Director for Health and Human Services Policy.....	Johannes Kuttner
Staff Assistant.....	Peggy Polk
Associate Director for Legal Policy.....	Marianne McGettigan
Deputy Associate Director.....	Michael Klausner
Associate Director for Education, Housing, Urban Development, & Transportation Policy.....	Vacant
Senior Policy Analyst.....	Rae Nelson
Staff Assistant.....	Mary Crutchfield
Director of Administration.....	David Alexander
Administrative Assistant.....	Michele Huguelet
Deputy Assistant to the President for Policy Planning.....	James P. Pinkerton
Executive Assistant.....	Claudia Cummins
Deputy Director, Policy Planning.....	Austen Furse
Policy Analyst.....	William Eagle
Intern.....	Dylan Glenn
Intern.....	Michael Terrigno

BIOGRAPHY

STEPHEN P. FARRAR

PROFESSIONAL

March 1989 - Present

Associate Director for International Economic Policy, Office of Policy Development, The White House.

Deputy Executive Secretary, Economic Policy Council, The White House.

September 1988 - March 1989

Special Assistant to the President and Senior Director of International Economic Affairs, National Security Council.

March 1986 - September 1988

Director of International Economic Affairs, National Security Council.

October 1980 - March 1986

Chief, Economic Affairs Branch, International Affairs Division, Office of Management and Budget.

November 1972 - October 1980

International Economist, International Affairs Division, Office of Management and Budget.

June 1966 - November 1972

International Economist, Office of International Trade Policy, U.S. Department of Commerce.

EDUCATION

Georgetown University, School of Foreign Service. MSFS, 1967.

Bowdoin College. BA, 1965.

PERSONAL

Age 45. Married. Two Children.

April 1989

Lawrence B. Lindsey

Associate Director for Domestic
Economic Policy

EDUCATION

Ph.D., Economics, Harvard University, 1985

M.A., Economics, Harvard University, 1981

A.B. Bowdoin College, Magna Cum Laude, 1976

EXPERIENCE

Associate Professor, Economics, Harvard University, 1988-1989

Assistant Professor, Economics, Harvard University 1984-1988

Faculty Research Fellow, National Bureau of Economic Research,
1984-1989

Senior Staff Economist for Tax Policy, Council of Economic
Advisers, 1983-84

Staff Economist, Taxation, Council of Economic Advisers, 1982-83

Junior Staff Economist, Public Finance, Council of Economic
Advisers, 1981-82

Teaching Fellow, Harvard University, 1978-81

Research Assistant, National Bureau of Economic Research,
1978-81

HONORS AND AWARDS

Walter Wriston Award for Economic Research, 1988

Elected to National Tax Association's Federal Taxation and
Finance Committee; Term: 1986-1989

Outstanding Thesis Award, National Tax Association, 1985
for Simulating the Response of Taxpayers to Changes in Tax
Rates

Noyes Prize in Political Economy, Bowdoin College, 1976

Elected to Phi Beta Kappa, Alpha of Maine, 1975

PUBLICATIONS

- "Tax Induced Trading: The Effect of the 1986 Tax Reform Act on Stock Market Activity" The Journal of Finance (forthcoming) with Paul J. Bolster and Andrew Mitrusi.
- "Budget Neutral Options to Encourage Charitable Giving", in The Future of the Nonprofit Sector, Jossey-Bass, 1989
- "The Massachusetts Miracle", Regulation, December, 1988
- "High Risks, High Rewards", Currents, November/December, 1988, pp.10-15
- "Massachusetts Miracle -- or Mirage?" The New York Times, October 5, 1988, p.A33
- "Turning Deficit into Surplus" The Boston Herald, October 2, 1988 pp.23-26
- "Supply Side Lessons for Deficit Reduction" Business Economics: The Journal of the American Association of Business Economists, October, 1988,
- "Better Child Care Cheaper," The Wall Street Journal, July 5, 1988
- "Socialism and the Supply Side in Sweden", The Wall Street Journal Europe, June 6, 1988
- "Who Managed the Massachusetts Miracle?" The Wall Street Journal, April 5, 1988
- "The Guru of Tax Cuts" The Sunday Times (London), March 20, 1988
- "Capital Gains" Tax Notes, January 25, 1988 with Jane Gravelle
- "Tax Cuts and Taxpayer Behavior: Alternative Explanations of Income Changes in the 1980s" in Tax Policy and the Economy Vol 2, Lawrence Summers ed. National Bureau of Economic Research, 1988
- "Cut Capital Gains Taxes" The Journal of Commerce, December 29, 1987
- "The Wrong Two Percent Solution" The Journal of Commerce, November 19, 1987
- "Estimating the Behavioral Response of Taxpayers to Changes in Tax Rates: 1982-1984 With Implications for the Revenue Maximizing Tax Rate" Journal of Public Economics July, 1987

- "Federal Deductibility of State and Local Taxes: A Test of Public Choice by Representative Government", in Rosen (ed.) Fiscal Federalism, National Bureau of Economic Research: Cambridge" (1987)
- "Capital Gains Taxes Under the Tax Reform Act of 1986: Revenue Estimates Under Various Assumptions", National Tax Journal, September, 1987
- "Capital Gains Rates, Realizations, and Revenues" in The Effects of Taxes on Capital Accumulation, edited by Martin Feldstein, pp.69-97, University of Chicago Press, 1987
- "Criticizing the CBO Analysis of ERTA's Effect on the Distribution of Income and Taxes", Tax Notes, May 4, 1987, pp.491-496
- "Individual Giving Under the Tax Reform Act of 1986", in The Constitution and the Independent Sector, Independent Sector and United Way Institute: Washington, March, 1987
- "Rates, Realizations, and Revenue of Capital Gains" in Taxes and Capital Formation, edited by Martin Feldstein, Chicago: University of Chicago Press, 1987
- "Gifts of Appreciated Property: More to Consider" Tax Notes, January 5, 1987, pp.67-70
- "Revenue Response to the 1982 Personal Tax Cuts -- A Reply", Tax Notes, October 13, 1986
- "Misguided Capital Gains Levy" Wall Street Journal, September 10, 1986
- "Capital Gains Tax Rates and Tax Revenues", Testimony before the Senate Small Business Committee, The Congressional Record, June 4, 1986
- "Lessons of the 1981 Tax Cut", The Wall Street Journal, May 6, 1986
- "Tax Reform and Charitable Giving" in Philanthropy, Voluntary Action and the Public Good, Independent Sector and United Way Institute, March 1986
- "Revenue Response to the 1982 Tax Cuts", Tax Notes, March 17, 1986
- "The Effect of the President's Proposal on Charitable Giving", The National Tax Journal, March, 1986
- "The 1982 Tax Cut: The Effect of Taxpayer Behavior on Revenue and Distribution" Proceedings of the National Tax Association, November, 1985

"Giving and Tax Cuts: Recent Experience" Tax Notes,
September 16, 1985

"Tax Reform and Charitable Giving", Testimony before the House
Committee on Ways and Means, The Congressional Record,
July 22, 1985

"Simulating Non-Linear Tax Rules and Non Standard Behavior: An
Application to the Tax Treatment of Charitable
Contributions", Behavioral Simulation Methods in Tax Policy
Analysis, edited by Martin Feldstein, University of Chicago
Press, 1983

"Alternatives to the Maximum Tax on Earned Income", Behavioral
Simulation Methods in Tax Policy Analysis, edited by Martin
Feldstein, University of Chicago Press, 1983

"Is the Maximum Tax on Earned Income Effective?" National Tax
Journal, June 1981

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
21. Resume	Nancy A. Maloley [Home phone number redacted] (1 pp.)	n.d.	(b)(6)	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Sununu, John, Files
Subseries: White House Offices File
WHORM Cat.:
File Location: Policy Development
(Porter) (1990) [1]

Date Closed:	12/15/2004	OA/ID Number:	29181-002
FOIA/SYS Case #:	1998-0004-F[1]	Appeal Case #:	
Re-review Case #:	2005-0426-S	Appeal Disposition:	
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C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

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(b)(9) Release would disclose geological or geophysical information

RESUME OF
NANCY A. MALOLEY

1024 Tuckahoe Street
Indianapolis, Indiana 46260
Telephone: [REDACTED] (b)(6)

Employment

August 1985 - present

Commissioner, Indiana Department
of Environmental Management
105 South Meridian Street
Indianapolis, Indiana 46204
Telephone: (317) 232-8603

Appointed by The Honorable Robert D. Orr, Governor of Indiana, to head new State-level Department (500 employees, annual budget circa \$50 million). Directed transfer, reorganization and integration of Indiana environmental programs from other agencies, and recruited senior management of Department, which is responsible for regulation and enforcement of State and Federally delegated environmental laws and programs, including air and water pollution control and hazardous and solid waste management.

January 1984 - July 1985

Executive Assistant to
The Honorable William P. Clark
Secretary of the Interior

Assisted Secretary on development, coordination and implementation of major Departmental policies. Principal advisor to Secretary on Cabinet Council matters (including Cabinet Council on Natural Resources and the Environment, which he chaired), responsible for developing Administration policy options for consideration by full Cabinet and President. Representative of Secretary to White House, Federal agencies, and private groups.

September 1982 - January 1984

Member, President's Council
on Environmental Quality
The White House

Appointed by President and confirmed by United States Senate as one of three Members of Council, which develops and recommends environmental policies to President. Served as Alternate Member of Cabinet Council on Natural Resources and the Environment and as Administration spokesman on those issues, with expertise on acid rain. Supervised staff research and analyses and preparation of President's Annual Report to Congress on the environment.

Nancy A. Maloley

Page Two

August 1981 - September 1982

Senior Staff Member
Office of Policy Development
The White House

Advised Assistant to the President for Policy Development on Administration environmental and natural resources policies. Chaired inter-agency working groups and served as representative to Cabinet Council on Natural Resources and the Environment.

November 1980 - January 1981

Director of Legislation
Environmental Protection
Agency Transition Team for
President-elect Ronald Reagan

Summarized, as part of President-elect Reagan's transition team, environmental legislation to be considered during 1st Session of the 97th Congress, and prepared options and proposals for amendment of major Federal environmental legislation.

January 1977 - April 1981

Legislative Assistant to
The Honorable Richard G. Lugar
United States Senator from
Indiana

Advised Senator on content, merit and status of pending energy and environmental legislation; prepared legislation in these areas for his introduction; and advised Senator on Indiana environmental and energy projects pending before Federal regulatory agencies.

September 1976 - November 1976

Administrative Assistant to
Robert M. Teeter
Director of Research and
Polling
President Ford Committee

Coordinated Opposition Research and President Ford Research Divisions of President Ford Committee. Developed and disseminated issue briefing material on President Ford and Governor Carter for use in 1976 Presidential campaign by Cabinet officers, Republican Senators and Representatives, and White House officials.

Nancy A. Maloley
Page Three

January 1971 - September 1976 Special Assistant to the
Administrator, United States
Environmental Protection Agency

Served Administrators William Ruckelshaus and Russell Train. Prepared position papers on issues and policies for Administrator and President, Vice President and Cabinet officials, and Administrator's correspondence on legislative, policy and political issues. Wrote and edited weekly EPA newsletter; developed and supervised Administrator's briefing system; reviewed key briefing materials.

September 1969 - December 1970 Staff Assistant to
The Honorable E. Ross Adair
United States Representative
from Indiana

January 1969 - September 1969 Secretary to
The Honorable John N. Erlenborn
United States Representative
from Illinois

September 1968 - December 1968 Nixon-Agnew Campaign Committee
Washington, D.C.

July 1968 - September 1968 Congressional Intern for
The Honorable E. Ross Adair
United States Representative
from Indiana

Education

University of Colorado, Boulder Junction, Colorado (B.A. with Honors in Political Science, 1968).

Personal Data

Born: April 13, 1946 at Fort Wayne, Indiana.

Religious Affiliation: Episcopalian.

References

Available upon request.

THE WHITE HOUSE

WASHINGTON

MARIANNE McGETTIGAN

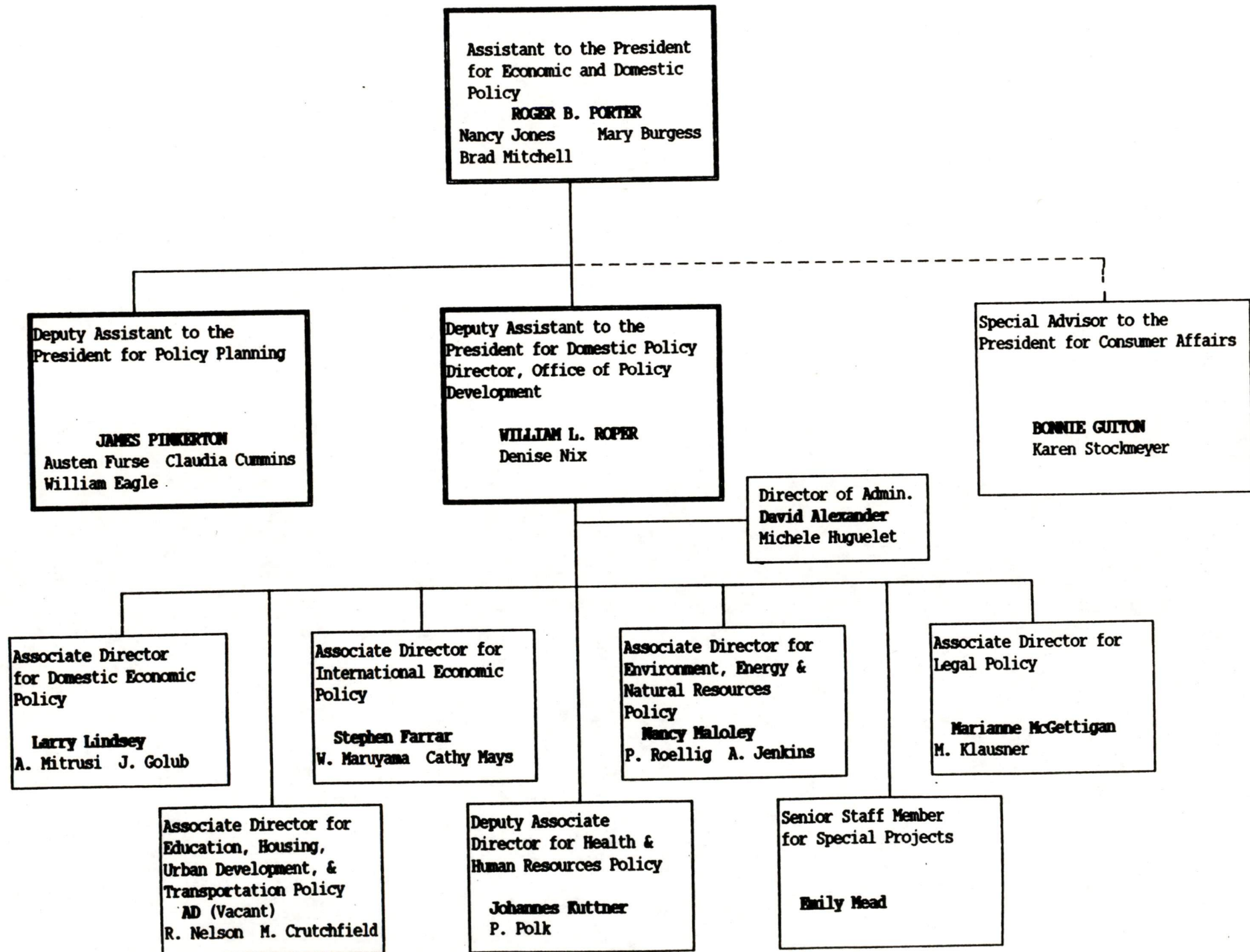
Ms. McGettigan has been the Associate Director for Legal Policy in the Office of Policy Development at The White House since July 1989. From 1988 to 1989, she attended the John F. Kennedy School of Government. She was honored as a Lucius C. Littauer Fellow and awarded a Master of Public Administration in June 1989.

From 1987 to 1988, she served as counsel to U.S. Senator Warren Rudman (NH). Prior to that, Ms. McGettigan worked for U.S. Senator Slade Gorton (WA) as Legislative Counsel from 1984 to 1987, and as a Legislative Assistant from 1981 to 1984.

Ms. McGettigan received a B.A. in mathematics and philosophy from Clark University in 1972. Following her graduation from Boston University Law School in 1975, she served in the Office of the Washington State Attorney General as a Senior Assistant Attorney General (1979 - 1981), and as an Assistant Attorney General (1975 - 1979); in the capacities of Chief Counsel (1978 - 1981) and Assistant Counsel (1975 - 1978), to the State Department of Agriculture. She also litigated cases for the Special Litigation Division (1975 - 1978).

ASSISTANT TO THE PRESIDENT FOR ECONOMIC AND DOMESTIC POLICY
ORGANIZATIONAL STRUCTURE

8/14/89



Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
22. Memo	From William Roper to John Sununu Re: Red Dye #3 (1 pp.)	1/2/90	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Sununu, John, Files
Subseries: White House Offices File
WHORM Cat.:
File Location: Policy Development
(Porter) (1990) [1]

Open on Expiration of PRA
(Document Follows)

By JP (NLGB) on 10/28/05

Date Closed:	12/15/2004	OA/ID Number:	29181-002
FOIA/SYS Case #:	1998-0004-F[1]	Appeal Case #:	
Re-review Case #:	2005-0426-S	Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

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THE WHITE HOUSE
WASHINGTON

file

January 2, 1990

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: WILLIAM L. ROPER

WR

SUBJECT: Red Dye #3

The Secretary of Health and Human Services faces a decision soon on whether to ban the continued use of Red Dye #3 as a food additive. Under the so-called Delaney Clause, the federal Food, Drug and Cosmetic Act requires that additives which have been shown to cause cancer in animals be banned in human foods.

Red Dye #3 has been a Delaney suspect for several years. Despite continued dissatisfaction with the quality of the science, the existing data appear to present a case for the banning of Red Dye #3. There are satisfactory substitutes for it in all uses except for the coloring of marischino cherries. The loss of Red Dye #3 will have major impact on cherry growers and processors, and also on other fruit growers and processors, given the use of cherries in fruit cocktail.

Despite the scientific data which many feel require a ban, it may be possible to construct a legal argument for continuing to permit its use. The most promising of these arguments is that the cancer is probably not caused directly by Red Dye #3, but rather by a secondary mechanism which may be triggered by Red Dye #3. However, this idea is not yet proven, and in any event its legal status is unclear.

Fianlly, there is the consideration of what impact the Secretary's decision may have on the President's food safety proposals. Finding a way, scientific or legal, not to ban could be explained as an effort to administer a law that does not comport with the realities of modern science and risk management. On the other hand, banning Red Dye #3 could be explained as having to carry out a law which the Congress badly needs to reform.

The Secretary plans to brief you on these matters tomorrow.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
23a. Memo	From Roger Porter to John Sununu Re: The Prospects of a Recession (1 pp.)	1/12/90	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Sununu, John, Files
Subseries: White House Offices File
WHORM Cat.:
File Location: Policy Development
(Porter) (1990) [1]

Open on Expiration of PRA
(Document Follows)

By gf (NLGB) on 10/28/05

Date Closed: 12/15/2004	OA/ID Number: 29181-002
FOIA/SYS Case #: 1998-0004-F[1]	Appeal Case #:
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THE WHITE HOUSE
WASHINGTON

January 12, 1990

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER *RBP*
SUBJECT: The Prospects for a Recession

Larry Lindsey has written an interesting short memorandum about the probability of a recession in 1990. His assessment is encouraging -- the prospects are extremely modest if the economy performs as is currently expected by most commentators.

He views the prospects for the economy from three vantage points: (1) a monetarist perspective; (2) a Keynesian perspective; and (3) a supply-side perspective. The differences between the three are not large. Everything seems to point to a period of modest, unspectacular growth.

Attachment

file

THE CHIEF OF STAFF
has seen



Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
23b. Memo	From Larry Lindsey to Roger Porter Re: Recession in 1990? (3 pp.)	1/3/90	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Sununu, John, Files
Subseries: White House Offices File
WHORM Cat.:
File Location: Policy Development
(Porter) (1990) [1]

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(Document Follows)
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Date Closed:	12/15/2004	OA/ID Number:	29181-002
FOIA/SYS Case #:	1998-0004-F[1]	Appeal Case #:	
Re-review Case #:	2005-0426-S	Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

THE WHITE HOUSE

WASHINGTON

January 3, 1990

MEMORANDUM FOR ROGER B. PORTER

FROM: LARRY LINDSEY

SUBJECT: Recession in 1990?

Recently, economic commentators have revived their perennial talk about the possibility of a recession in 1990. This memorandum considers the economic prospects for 1990 from the view of the three leading schools of economic thought: Monetarist, Keynesian, and Supply-Side. Today, most economists feel that the "truth" is reflected by some combination of these three schools of thinking.

Monetarist Perspective: Real Growth of 1.4 Percent

Monetarists view the rate of growth of the money supply as the key indicator of future economic activity. In the last 12 months, the M2 money supply has expanded at an annual rate of 4.4 percent. Over the previous 12 months it expanded at a 5.5 percent rate. This is down from a typical growth rate of 8.5 percent during the 1980s. The Federal Reserve seems to be on a track to eliminate inflation from the economy by the early to mid 1990s, an economic situation consistent with M2 growth of about 3 percent annually.

Changes in monetary policy tend to affect economic activity with a lag. The three percent deceleration in money growth two years ago should slow the economy by about one percent this year. Last year's further one percent reduction in money growth should slow the economy by a further two thirds of a point. Given recent economic growth in the 3.0 percent range, economic growth of between 1.2 and 1.5 percent next year can be anticipated based on a monetarist model of the economy.

Keynesian Perspective: Real Growth of 2 Percent

Keynesians view the level of economic activity as determined by the demand of various economic actors in the economy: consumption by households, investment by business, direct spending by government, and net purchases by foreigners.

Personal consumption expenditures rose a strong 3.9 percent in the last 4 quarters. However, that pace should slow significantly for three reasons. First, the growth in personal

income could drop by almost a full percentage point as lower interest rates produce lower personal interest income. Second, social security taxes increased effective the first of the year, shrinking take home pay. Finally, the personal saving rate has shown an upward trend of about one point per year recently. Combined, these effects indicate a growth in real consumption expenditures of about 2 percent.

Real non-residential investment spending has been rising nearly 6 percent, but residential investment has been falling. In total, we could expect a 3 percent growth in real investment spending next year. Government purchases of goods and services should rise only modestly as defense procurement falls and Gramm Rudman sharply limits other federal spending. State and local spending seems set to rise about 3 percent in real terms, although this may be reduced due to fiscal difficulties in a number of states. We also should not expect any further progress on the net export front.

In sum, a Keynesian perspective on the economy would lead us to predict economic growth of between 1.8 percent and 2.2 percent.

Supply Side Perspective: Real Growth of 2.8 Percent

During the 1980s, the economy appeared to see an increase in its sustainable rate of growth to about 3 percent per year as tax rates fell and regulations were lifted. The economy might experience a minor reversal in this trend as a higher minimum wage and increased financial market regulation begin to take effect. This would imply a reduction in the underlying supply side rate of growth to about 2.8 percent.

Consensus Expectation: 2.1%

These three economic models all predict a slowdown in growth from the rapid (3 percent or higher) pace of the last 3 years. However, none indicate a recession. The leading constraint on the economy is financial, as indicated by the low expected growth in the monetarist perspective.

This sustained growth pattern makes a recession unlikely. By definition, a recession is two consecutive quarters of negative growth. Of course, a year which averages 2 percent might have two quarters of 4 or 5 percent growth and two quarters of negative growth. Public policy makers should also be alert to a single quarter of negative growth. Although technically not a recession, any decline in economic activity might lead to concerns about the future health of the economy.

To assess the chances of that occurring, we analyzed the variability in quarterly economic growth for the past 3 decades. The probability of a recession occurring at various rates of annual economic growth are presented below:

Probability of Temporary Negative Economic Growth

<u>Economic Growth for Year</u>	<u>Probability One Quarter Negative</u>	<u>Probability of Recession</u>
0.5%	45%	22%
1.0%	40%	19%
1.5%	30%	9%
2.0%	22%	5%
2.5%	19%	3%

Given a consensus expectation of 2.1 percent growth, this data indicates that the probability of a recession is somewhat less than 5 percent next year. Further, given the consensus forecast, there is only about one chance in five that we will experience a quarter of negative economic growth. Even if we adopt the most pessimistic economic model, that of the monetarists, the probability of a recession is less than one in five. However, the probability of having at least one quarter of negative growth is about one in three under this most pessimistic scenario.

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January 16, 1990

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER *RBP*

SUBJECT: Japanese Voluntary Export Restraint on Autos

Japanese Ambassador Murata called this morning to advise us that at 10:00 p.m. this evening (Eastern Standard Time), the Japanese Government will announce that it is extending for another year its Voluntary Export Restraint on automobiles to the United States.

This one year extension will run from April 1, 1990 through March 31, 1991, consistent with the Japanese fiscal year. The announcement will identify the restraint level as 2,300,000 vehicles, the same as this past year.

According to Japanese Government estimates during the current year, April 1, 1989 through March 31, 1990 the Japanese expect to export 2,050,000 vehicles to the U.S.

Ambassador Murata specifically asked that I pass on this information to you and not mention it to others until the announcement this evening.

file
THE CHIEF of STAFF
has seen

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