

Association President Hector Moya said that the crisis that the sector is going through is due to the mistakes of the authorities and emphasized that they are not asking for debt forgiveness. Remarks by Moya and by Minister de Gregorio. (1 min)

6. Television Nacional de Chile's Executive Director Rene Cortazar was unanimously elected President of the National Television Association [Anatel]. He will preside over Anatel for the next two years together with Jaime Belolio of Channel 13 and Felipe Pozo of Chilevision. Cortazar said that the great challenge of the national television industry in the few years is the implementation of digital television. Remarks by Cortazar. (und min)

7. Public Transportation Association President Demetrio Marinakis paid a courtesy call on President Lagos this morning. Marinakis pointed out that the sector is willing to switch to natural gas vehicles to contribute to reducing pollution in the capital, provided that this change is subsidized by the government. Remarks by Marinakis, who said that they will have to see what the benefits of natural gas have been abroad, and that they are willing to go into it. Remarks by Transportation Minister Carlos Cruz, who pointed out that the issue of a subsidy will have to be reviewed. He added that he is in favor of applying restrictions on catalytic converter vehicles, but that the decision will be made in August. Furthermore, Transportation Under Secretary Patricio Tombolini dismissed the possibility of applying restrictions on traffic during the summer months. (1 min)

[Description of Source: Santiago Television Nacional de Chile Imagen Nacional in Spanish -- Government-owned, editorially independent television station]

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READS MUCH LIKE THE BIOGRAPHIES OF MANY POST-SOVIET LEADERS OF OUR TIME, INCLUDING FORMER SERBIAN PRESIDENT MILOSEVIC, CURRENT BELARUSIAN PRESIDENT LUKASHENKO, AND, SOME WOULD NOW SAY, UKRAINIAN PRESIDENT LEONID KUCHMA. DURING HIS YEARS IN OFFICE, NAZDRATENKO HAS GATHERED AROUND HIM A POWERFUL GROUP OF MEN DEDICATED TO TWO OBJECTIVES: FIRST, RETAIN AND EXPAND THE GOVERNOR'S POLITICAL POWER; AND SECOND, USE THAT POWER TO ACQUIRE CONTROL OF EVERY VIABLE ECONOMIC ASSET IN THE REGION.

3. NAZDRATENKO HAS BUILT HIS POLITICAL POWER THROUGH THE SYSTEMATIC DESTRUCTION OF HIS RIVALS, THE COWING OF THE FREE PRESS, AND THE TRANSFER OF ALL BLAME FOR HIS ECONOMIC FAILURES TO OTHERS. AS PART OF THIS OVERALL STRATEGY, HE HAS ALSO SOUGHT TO DISTRACT THE PEOPLE FROM THEIR DAY-TO-DAY WORRIES BY RAISING THE SPECTER OF EXTERNAL ENEMIES, DRAWING ON POST-SOVIET RESENTMENT AT THE OUTCOME OF THE COLD WAR, AS WELL AS POPULAR FEARS OF CHINA, THE CENTER, AND THE WEST. NAZDRATENKO'S STRATEGY HAS WORKED SO FAR, BUT IN THE LONG RUN HE IS PLAYING A LOSER'S GAME. THE GROUND IS ALREADY BEGINNING TO SHIFT BENEATH NAZDRATENKO'S FEET, AND HIS POLITICAL FIEFDOM IS NO LONGER THE SECURE HAVEN IT ONCE WAS, AS RUSSIA HAS MOVED FROM THE YELQTSIN TO THE PUTIN ERA.

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VLADIVOSTOK, THEN AND NOW  
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4. LIKE SO MANY OTHER CITIES IN THE FORMER SOVIET UNION, VLADIVOSTOK HAS UNDERGONE SOMETHING OF A METAMORPHOSIS OVER THE PAST DECADE. TEN YEARS AGO, VLADIVOSTOK WAS A MILITARILY CLOSED CITY, A STAID NAVAL TOWN, HOME TO THE SOVIET PACIFIC FLEET, AND A GROWING CENTER OF COMMERCIAL AND BUSINESS ACTIVITY. ITS POLITICS WERE REPRESSIVE, ITS ECONOMY UNREMARKABLE, AND ITS CITIZENRY WARY OF FOREIGNERS; BUT THE SYSTEM WORKED AFTER A FASHION. IN THE DECADE SINCE, VLADIVOSTOK HAS BEEN TRANSFORMED INTO A WIDE-OPEN PORT TOWN WHOSE PRIMARY BUSINESSES - FISHING AND TRANSSHIPMENT ARE UNDER PRESSURE FROM MORE EFFICIENT FOREIGN COMPETITORS IN JAPAN, KOREA AND CHINA. VLADIVOSTOK'S ERSTWHILE PRIDE - THE RUSSIAN PACIFIC FLEET SITS RUSTING AT ITS MOORINGS, OR SUNK IN THE BAY. THE PROMISE OF WESTERN INVESTMENT TO REVIVE UNCLAS SECTION 02 OF 07 VLADIVOSTOK 0678

UNCLASSIFIED

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TAGS: PGOV, PREL, RS, BO, UP

SUBJECT: TO LIVE AND DIE IN PRIMORYE: THE STRANGE WORLD OF YEVGENIY NAZDRATENKO

VLADIVOSTOK'S KEY ECONOMIC SECTORS HAS LARGELY BEEN

UNREALIZED, DUE TO THE RAPACIOUS ACTIVITIES OF THE CUSTOMS AND TAX POLICE, AND THE HOSTILE ATTITUDES OF THE CITY AUTHORITIES.

5. IN MANY WAYS, THE CHANGES IN VLADIVOSTOK TODAY REMIND ONE A LITTLE BIT OF THE JIMMY STEWART MOVIE, QITQS A WONDERFUL LIFE.Q IN THIS MOVIE, THE QUIET AND UNREMARKABLE TOWN OF BEDFORD FALLS IS MAGICALLY TRANSFORMED INTO A CROWDED AND NOISY POTTERVILLE, WHOSE ECONOMY RUNS ON HONKY-TONKS AND MONEY OF DUBIOUS PROVENANCE, AND WHOSE RESPECTABLE RESIDENTS DONQT VENTURE OUT ON THE STREETS AT NIGHT. THE VLADIVOSTOK OF TODAY DOES NOT EXACTLY HAVE A CASINO OR NIGHTCLUB ON EVERY CORNER, BUT THERE IS OFTEN AN ADVERTISEMENT FOR ONE. ORGANIZED CRIME IS FLOURISHING. THE BIGGEST GROWTH INDUSTRY IS TELECOMMUNICATIONS (CELL PHONES). THE STREETS, ONCE RELATIVELY EMPTY, ARE JAMMED WITH SPORTS UTILITY VEHICLES Q OFTEN STOLEN Q AS WELL AS OLDER MODEL RIGHT-HAND DRIVE IMPORTS FROM JAPAN. A DECADE AGO, VLADIVOSTOKQS LATE-NIGHT TV MORE OFTEN THAN NOT CONSISTED OF AN AUTOMATED WARNING TO TURN OFF YOUR SOVIET TV SET BEFORE YOU WENT TO BED, IN ORDER TO AVOID THE ALL TOO REAL DANGER OF AN APARTMENT FIRE. THESE DAYS, IT CONSISTS OF ENDLESS FIRST RUNS OF PIRATED AMERICAN MOVIES, WITH THEIR OWN FORM OF A FINANCIAL TICKER RUNNING ACROSS THE BOTTOM OF THE SCREEN. THE TICKER DOES NOT GIVE STOCK PRICES, HOWEVER, BUT THE NUMBERS OF ESCORT SERVICES AND CALL GIRLS. THE HILLS OF VLADIVOSTOK, WHICH WERE ONCE LAUDED FOR THEIR BEAUTY AT THE TURN OF THE LAST CENTURY, HAVE NOW BEEN SCARRED AND DOTTED BY THE UGLY DETRITUS OF THE SOVIET ERA: DISUSED INDUSTRIAL SITES AND HODGEPODGES OF GHASTLY APARTMENT BUILDINGS SEEMINGLY PLOPPED DOWN AT RANDOM. MEANWHILE, THE CITY OF VLADIVOSTOK, AND THE ENTIRE REGION OF PRIMORYE, IS SUFFERING FROM A PROGRESSIVE DECLINE IN ITS BASIC INFRASTRUCTURE. THE BUSES RUN ON TIME, BUT THERE ARENQT ENOUGH OF THEM. THE ELECTRICITY IS ON AND OFF. FUEL FOR HEATING AND GASOLINE IS IN SHORT SUPPLY. AND THE CITY WATER SYSTEM IS, SHALL WE SAY, NOT GOING TO GIVE EVIAN SPRING WATER A RUN FOR ITS MONEY ANY TIME SOON.

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NAZDRATENKOQS BATTLE FOR REGIONAL POWER  
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6. INTO THIS SITUATION HAS STEPPED YEVGENIY NAZDRATENKO AND HIS POLITICAL ALLIES. THEIR AGENDA IS NOT TO REFORM. NOR IS IT TO REVERSE THE DECLINE OF AN ECONOMY THAT STILL HAS REAL POTENTIAL. INSTEAD, AS IN SO MANY OTHER PARTS OF THE FORMER SOVIET UNION, IT IS TO AMASS POLITICAL POWER, AND TO USE IT TO ACQUIRE THOSE ASSETS THAT ARE STILL TURNING A PROFIT. IN HIS BID FOR POLITICAL PREEMINENCE IN PRIMORYE, NAZDRATENKO HAS BEEN REMARKABLY SUCCESSFUL. OVER THE PAST SEVEN YEARS HE HAS WON THE GUBERNATORIAL ELECTIONS IN 1994 AND 1999 BY LOPSIDED TOTALS, EVEN AFTER ACCOUNTING FOR

THE INEVITABLE ACCUSATIONS OF FRAUD AND VOTE-TAMPERING. HE HAS ALSO MARGINALIZED MUCH OF HIS LOCAL OPPOSITION, AND, UP TO NOW, HE HAS SUCCESSFULLY FENDED OFF THE RELATIVELY FEEBLE EFFORTS OF THE CENTER TO BRING HIM INTO LINE.

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 NAZDRATENKO VERSUS YELQTSIN  
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7. AS HE HAS EXPANDED HIS POLITICAL POWER, AND AS EVIDENCE OF HIS MISRULE HAS ACCUMULATED, NAZDRATENKO AND HIS ALLIES HAVE HAD TO SPEND INCREASING AMOUNTS OF TIME AND ENERGY FENDING OFF ATTEMPTS BY MOSCOW TO REASSERT ITS AUTHORITY IN THE REGION. IN JUNE, 1997  
 UNCLAS SECTION 03 OF 07 VLADIVOSTOK 0678

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SUBJECT: TO LIVE AND DIE IN PRIMORYE: THE STRANGE WORLD OF YEVGENIY NAZDRATENKO

PRESIDENT YELQTSIN APPOINTED THEN-FSB PRIMORYE CHIEF VIKTOR KONDRATOV AS HIS PERSONAL REPRESENTATIVE IN THE REGION, GIVING HIM THE POWER TO CONTROL THE ISSUANCE OF LUCRATIVE FISHING AND TIMBER QUOTAS AND OTHER FINANCIAL POWERS, BUT PRESUMABLY ALSO CHARGING HIM TO ACCUMULATE QKOMPROMATQ ON THE WILY GOVERNOR.

8. KONDRATOV DID HIS JOB, AND FILED A REPORT WITH STARTLING DETAILS ON THE LINKS BETWEEN MANY OF NAZDRATENKOQS DEPUTIES AND ORGANIZED CRIME FIGURES (THE SHORT VERSION OF THE KONDRATOV REPORT, WHICH WAS PUBLISHED LAST YEAR IN QZAVTRA ROSSII,Q IS ATTACHED TO THE E-GRAM VERSION OF THIS MESSAGE). AMONG OTHER THINGS, KONDRATOV ALLEGED THAT NAZDRATENKOQS MINIONS SYSTEMATICALLY USED LAW ENFORCEMENT AGENCIES AND ORGANIZED CRIME FIGURES TO ENHANCE THEIR PROFITS, STOLE MONEY INTENDED TO BUY FUEL OIL, AND ORGANIZED A SYNDICATE TO SMUGGLE GOODS VIA CHECHNYA. NAZDRATENKOQS PRINCIPAL DEPUTY, KONSTANTIN TOLSTOSHEYN, WAS ALLEGED TO HAVE: COLLABORATED WITH OC GROUP LEADER ALEKSEYENKOV TO SELL THE VLADIVOSTOK HOTEL AND SKIM OFF THE PROFITS; TO HAVE ORGANIZED THE SYSTEMATIC COERCION OF COMMERCIAL COMPETITORS WITH THE HELP OF OC LEADERS, AS WELL AS THE ABDUCTION OF UNFRIENDLY JOURNALISTS; AND TO HAVE USED MEMBERS OF VLADIVOSTOKQS PRINCIPAL OC GROUPS TO PROVIDE SECURITY FOR HIS MANY ENTERPRISES. VICE GOVERNOR CHECHELNITSKIY WAS ALLEGED TO HAVE PARTICIPATED IN FUEL THEFT IN COOPERATION WITH OC FIGURES (THE CASE WAS DROPPED DUE TO CHECHELNITSKIYQS QSUDDEN DEATHQ), AND FORMER VICE GOVERNOR SADOWSKIY WAS ALLEGED TO HAVE PARTICIPATED THE CHECHNYA SMUGGLING SCHEME NOTED ABOVE. IN ALL, SIX VICE GOVERNORS WERE NAMED IN THE

REPORT.

9. IN A WESTERN COUNTRY, SUCH A REPORT WOULD BE POLITICAL DYNAMITE, TO SAY THE VERY LEAST. IN VLADIVOSTOK, IT WAS MERELY CAUSE FOR NAZDRATENKO AND HIS CREW TO START POLITICAL MANEUVERING IN EARNEST. WITH ECONOMIC CRISIS CONSUMING RUSSIA IN 1998, NAZDRATENKO SAW HIS CHANCE AND FORMED AN ALLIANCE WITH THEN-PRIME MINISTER YEVGENIY PRIMAKOV, LOUDLY DEFENDING HIM AT EVERY OPPORTUNITY AND ADOPTING NEARLY ALL OF HIS POLITICAL AND ECONOMIC POSITIONS AS HIS OWN. IN A FEW MONTHS, KONDRATOV'S POWER WAS FIRST CURTAILED IN FEBRUARY 1998, AND THEN KONDRATOV WAS TRANSFERRED BACK TO MOSCOW IN MARCH 1999. THE NEW PRESIDENTIAL REPRESENTATIVE IN PRIMORYE WAS NONE OTHER THAN VICE-GOVERNOR VALENTIN KUZOV, NAZDRATENKO'S PERSONNEL CHIEF AND YES-MAN. YELQTSIN'S ATTACK ON NAZDRATENKO'S POWER WAS EFFECTIVELY REBUFFED, AND THUS SECURED, NAZDRATENKO BEGAN TO MOVE AGAINST HIS PRINCIPAL POLITICAL OPPONENTS.

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 NAZDRATENKO VERSUS CHEREPKOV  
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10. NAZDRATENKO'S LONG-RUNNING BATTLE WITH HIS MOST PROMINENT OPPONENT, MAYOR VIKTOR CHEREPKOV, CAME TO A CLIMAX IN DECEMBER 1998, WHEN HE PREVAILED UPON PRESIDENT YELQTSIN TO FIRE CHEREPKOV AND SCHEDULE NEW MAYORAL ELECTIONS FOR EARLY 1999. SINCE SEPTEMBER OF 1998, CHEREPKOV AND HIS SUPPORTERS HAD BARRICADED THEMSELVES INSIDE CITY HALL, AFTER NAZDRATENKO HAD ARRANGED FOR CHEREPKOV'S NAME TO BE STRICKEN FROM THE BALLOT FOR THE FALL MAYORAL ELECTIONS, ALLEGEDLY FOR MISUSING CITY FUNDS FOR HIS OWN POLITICAL CAMPAIGN. THE ELECTION CAMPAIGN HAD BEEN MARKED BY HEATED RHETORIC ON BOTH SIDES, AND MADE THE RECENT UNPLEASANTNESS IN FLORIDA LOOK MILD BY COMPARISON. IN ADDITION TO ALLEGATIONS OF FINANCIAL MALFEASANCE, NAZDRATENKO ACCUSED CHEREPKOV OF BLOCKING 14 ATTEMPTS TO FORM A CITY DUMA, THUS MAKING VLADIVOSTOK THE ONLY MAJOR CITY IN THE RUSSIAN FEDERATION WITHOUT A LOCAL UNCLAS SECTION 04 OF 07 VLADIVOSTOK 0678

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TAGS: PGOV, PREL, RS, BO, UP

SUBJECT: TO LIVE AND DIE IN PRIMORYE: THE STRANGE WORLD OF YEVGENIY NAZDRATENKO

LEGISLATURE. NAZDRATENKO ALSO BLAMED CHEREPKOV FOR THE FREQUENT OUTAGES OF HEATING AND POWER, CONCLUDING WITH COMMENDABLE UNDERSTATEMENT QWHAT HAS HAPPENED IS GENOCIDE AGAINST THE RESIDENTS OF VLADIVOSTOK.Q NAZDRATENKO ALSO ACCUSED CHEREPKOV, AN ESP ENTHUSIAST, OF BEING A UFO LOONY, NOTING THAT: QI DONQT UNDERSTAND HOW IT IS POSSIBLE TO GOVERN THE CITY FROM UNDER A

TABLE WHILE TALKING ABOUT LINKS WITH OUTER SPACE.Q

11. THE JANUARY 17, 1999 ELECTIONS FOR MAYOR WERE INVALIDATED WHEN, ONCE AGAIN, MORE THAN 50 PERCENT OF THE ELECTORATE STAYED AWAY FROM THE POLLS. HOWEVER, YURIY KOPYLOV WAS APPOINTED MAYOR IN DECEMBER, AND CONTINUED IN THAT POST UNTIL FINALLY ELECTED ON JUNE 19, 2000. KOPYLOV, NEEDLESS TO SAY, IS NAZDRATENKO'S PICKED MAN. DESPITE PERIODIC CLAIMS TO THE CONTRARY, IT IS EVIDENT THAT THE ABUSES OF WHICH CHEREPKOV WAS ACCUSED CONTINUE IN THE KOPYLOV ADMINISTRATION, AND WITH A VENGEANCE. NAZDRATENKO NOW LOOKS ELSEWHERE WHEN ASSIGNING BLAME FOR THE POWER AND HEATING PROBLEMS THAT PLAGUE VLADIVOSTOK, AND DOES NOT MENTION THE FACT THE CITY DUMA IS STILL NOT FORMED, HAVING FAILED TO ELECT A QUORUM (TWO OUT OF 22 MEMBERS) FOR THE NINETEENTH TIME IN DECEMBER, 2000. ON THE PLUS SIDE, HOWEVER, ONE SHOULD NOTE THAT THERE IS NO RELIABLE EVIDENCE THAT MAYOR KOPYLOV IS IN REGULAR COMMUNICATION WITH EXTRATERRESTRIALS.

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THE ECONOMICS OF PLUNDER: NAZDRATENKO CLEANS UP  
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12. IN EARLY 1999, NAZDRATENKO MOVED AGAINST HIS OTHER MAJOR POLITICAL OPPONENTS IN PRIMORYE, INCLUDING KRAY DUMA CHAIRMAN SERGEY DUDNIK. DUDNIK WAS ACCUSED OF MISMANAGING THE NAKHODKA FREE ZONE, AND OF CAUSING THE COLLAPSE OF BANK NAKHODKA, AMONG OTHER THINGS. A YEAR LATER, ON JANUARY 23, 2000, DUDNIK WAS REPLACED AS CHAIRMAN BY SERGEY ZHEKOV, AN APPARATCHIK LOYAL TO NAZDRATENKO.

13. NAZDRATENKO AND HIS ALLIES ALSO SEIZED THE OPPORTUNITY TO MOVE IN ON THE MOST PROFITABLE COMPANIES IN THE VLADIVOSTOK AREA AND GAIN A PIECE OF THE ACTION. A CASE IN POINT WAS FESCO THE FAR EAST SHIPPING COMPANY ONE OF THE FEW MAJOR ENTERPRISES IN VLADIVOSTOK THAT TURNS A LEGITIMATE PROFIT AND BENEFITS FROM THE INVOLVEMENT OF FOREIGN INVESTORS, WHO HAVE A FORTY-SIX PERCENT SHARE. NAZDRATENKO FIRST REPORTEDLY THREATENED ANDREW FOX, A BOARD MEMBER REPRESENTING FOREIGN INTERESTS, WITH A LONG TERM IN JAIL UNLESS THE FOREIGNERS HANDED OVER SEVEN PERCENT OF FESCO TO THE PRIMORYE ADMINISTRATION. FOX LEFT THE COUNTRY INSTEAD. THEN, AFTER A YEAR-LONG BATTLE, NAZDRATENKO AND HIS ALLIES EFFECTIVELY TOOK OVER THE MANAGEMENT OF FESCO IN MAY, 2000, GAINING SEVEN SEATS ON THE 11-MEMBER BOARD OF DIRECTORS. FESCO HAS NOT FLOURISHED UNDER THE NAZDRATENKO MANAGEMENT TEAM. ITS ASSETS, ONCE VALUED AT OVER A BILLION U.S. DOLLARS, NOW ARE VALUED AT UNDER 400 MILLION. FESCO IS LOSING ABOUT TEN TO TWENTY PERCENT OF ITS ASSET VALUE EVERY YEAR.

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TO LIVE AND DIE IN PRIMORYE: THE END OF A FREE PRESS  
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 14. NOT THE LEAST OF NAZDRATENKO'S OBJECTIVES OVER THE PAST DECADE HAS BEEN THE TAMING OF PRIMORYE'S BOISTEROUS FREE PRESS. HE HAS SUCCEEDED FOR THE MOST PART, DRIVING MANY SMALL NEWSPAPERS OUT OF BUSINESS, AND MUZZLING MANY OF THOSE THAT REMAIN. NAZDRATENKO EXERTS SIMILAR CONTROL OVER THE ELECTRONIC MEDIA. LATE LAST YEAR, THE DIRECTOR OF THE INDEPENDENT RADIO STATION RADIO LEMMA WAS CALLED IN BY A LOCAL OFFICIAL  
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AND TOLD TO WATCH HIS STEP AS HE CROSSED THE STREET, LEST HE QHAVE AN ACCIDENT.Q THE DIRECTOR GOT THE MESSAGE, AND RADIO LEMMA HAS TONED DOWN ITS BROADCASTS IN PRIMORYE. IN LATE 1999, THE FAR EAST EDITION OF MOSKOSVSKIY KOMSOMOLETS RAN A HEADLINE SATIRIZING NAZDRATENKO'S ELECTION CAMPAIGN SLOGAN QTO LIVE AND WORK IN PRIMORYE.Q DISPLAYING THE PICTURE OF A DEAD BODY ON ITS FRONT PAGE, IT LED WITH THE HEADLINE QTO LIVE AND DIE IN PRIMORYE.Q THIS WAS PROBABLY AN ATTEMPT TO SATIRIZE THE OVER-ROSY VIEW THE LARQLY NAZDRATENKO-CONTROLLED MEDIA SOUGHT TO PAINT OF THEIR GLORIOUS LEADER. ALSO, PERHAPS UNCONSCIOUSLY, IT ECHOED THE THEME OF A PARTICULARLY UNSATISFACTORY AMERICAN MOVIE, QTO LIVE AND DIE IN L.A.,Q WHICH TELLS THE STORY OF TWO POLICEMEN WHO, IN THEIR PURSUIT OF A NOTORIOUS GANGSTER, DESCEND TO HIS OWN MORAL LEVEL. WHATEVER THE MOTIVATION BEHIND THE PIECE, IT ENRAGED NAZDRATENKO AND HIS ENTOURAGE. THE END RESULT WAS THAT THE MOSCOW HEADQUARTERS OF THE NEWSPAPER PRONOUNCED IT BIASED AND PROMPTLY INSTALLED A CENSOR, PROMPTING THE RESIGNATION OF ONE OF THE EDITORS WHO HAD AUTHORED THE PIECE. THE VLADIVOSTOK NEWS FACES SIMILAR PRESSURES, AND APPEARS TO HAVE BUCKLED TO THEM. AND IN EARLY DECEMBER, TWO REPORTERS FROM ORT TELEVISIONQS FAR EAST BUREAU WERE FIRED AND REPLACED BY TWO REPORTERS WHO OPENLY SUPPORT NAZDRATENKO. ZAVTRA ROSSII, WHICH PUBLISHED THE KONDRATOV REPORT (SEE PARA 8) WAS DRIVEN OUT OF BUSINESS. RECENTLY, WE CONTACTED THE EDITOR OF THAT NEWSPAPER, AND SHE DENIED EVER HAVING RUN THE KONDRATOV STORY.

15. A CLIMATE OF FEAR HAS TAKEN OVER IN THE PRIMORYE PRESS CORPS, AND IT IS NOT JUST BECAUSE OF THE THREAT OF BEING PUT OUT OF BUSINESS OR THROWN OUT OF A JOB. ON DECEMBER 6, MAYA SHCHOKINA, THE DIRECTOR OF VLADIVOSTOKQS DALPRESS, WAS SHOT AND CRITICALLY WOUNDED BY TWO UNIDENTIFIED GUNMEN. DALPRESS IS THE MAJOR STATE-RUN PUBLISHING FIRM IN PRIMORYE, PUBLISHING 87 NEWSPAPERS, OR 90 PERCENT OF THE

RUSSIAN FAR EAST, EFFECTIVELY SENT VALENTIN KUZOV, NAZDRATENKO'S TAME PRESIDENTIAL REPRESENTATIVE, TO THE KNACKER'S YARD AND USHERED IN A NEW ERA IN CENTER-PRIMORYE RELATIONS.

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DARK SUMMERS, FROZEN WINTERS  
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19. DURING THE SUMMER OF 2000, SEVERAL AREAS OF PRIMORYE WERE HIT BY SERIOUS ELECTRICAL POWER BLACKOUTS THAT LASTED UP TO 16 HOURS PER DAY. DALENERGO, THE PRIMARY ENERGY SUPPLIER TO THE REGION, WAS FORCED UNDER THE CURRENT COST-SHARING ARRANGEMENTS TO CUT OFF POWER TO CONSUMERS WHO DID NOT PAY THEIR BILLS, AND IN TURN DALENERGO WAS UNABLE TO FIND SUFFICIENT FUEL TO GENERATE THE POWER NECESSARY TO POWER THE GRID. NAZDRATENKO, POINTING THE FINGER OF BLAME EVERYWHERE BUT AT HIMSELF, PERSUADED MOSCOW TO ALLOW THE REMOVAL OF THE PREVIOUS HEAD OF DALENERGO -- A CHUBAYS MAN -- AND HIS REPLACEMENT BY YURIY LIKHOYDA, NAZDRATENKO'S DEPUTY IN CHARGE OF ENERGY QUESTIONS. UNFORTUNATELY, THE POWER SHORTAGES CONTINUED INTO THE FALL AND WINTER, AND SOON THE MAJOR PROBLEM FOR MANY OUTLYING MUNICIPALITIES WAS NOT LIGHT, BUT HEAT. NAZDRATENKO BEGAN LOOKING ELSEWHERE TO CAST BLAME.

20. AS THE FUEL CRISIS BEGAN TO BUILD, PULIKOVSKIY VISITED PRIMORYE IN EARLY OCTOBER -- A VISIT UNDERTAKEN EARLIER THAN PLANNED IN ORDER TO COINCIDE WITH NAZDRATENKO'S HOSPITALIZATION. DURING HIS VISIT, PULIKOVSKIY COMMENTED THAT HE WAS DISPLEASED WITH THE INEFFECTIVENESS OF FISHING QUOTA DISTRIBUTION BY PRIMORYE MANAGEMENT. WHEN PULIKOVSKIY COMPLETED HIS FAMILIARIZATION VISITS TO ALL THE RFE TERRITORIES ON OCTOBER 20, HE GAVE A PRESS CONFERENCE IN MAGADAN IN WHICH HE MENTIONED THAT HE CONSIDERED PRIMORYE TO BE THE REGION WITH THE MOST IRRATIONAL MANAGEMENT, AND REMARKED THAT THE ECONOMIC SITUATION IN PRIMORYE HAS BEEN WORSENING FOR THE PAST FOUR YEARS, WHICH DEMONSTRATES THE ECONOMIC INCOMPETENCE OF THE REGIONAL ADMINISTRATION. PULIKOVSKIY ALSO NOTED THAT MOST COMPLAINTS HE RECEIVED CAME FROM PRIMORYE. PEOPLE DID NOT COMPLAIN ABOUT BAD HOUSING OR LOW SALARY. THEY COMPLAINED ABOUT THE GOVERNOR'S, MAYOR'S, AND FEDERAL GOVERNMENT'S ACTIONS. THIS MEANS THAT THE LOCAL GOVERNMENT IS FAR FROM PEOPLE AND IS NOT PERFORMING ITS FUNCTIONS.

21. ON OCTOBER 26, PULIKOVSKIY GAVE A TV INTERVIEW IN WHICH HE SAID THAT THE PRIMORYE GOVERNOR AND DALENERGO MANAGERS WERE INFORMED THAT THEY WILL HAVE TO RESIGN, IF THEY FAIL TO PROVIDE STABLE HEAT AND ENERGY SUPPLIES TO PRIMORYE. PULIKOVSKIY SAID THAT IF THESE LEADERS ARE NOT ABLE TO STABILIZE THE ENERGY SITUATION IN THE REGION, THEN THEY CANNOT MANAGE THE

REGION AND SHOULD NOT OCCUPY THE POSITIONS FOR WHICH THEY WERE ELECTED OR APPOINTED.Q

22. SINCE THEN, NAZDRATENKO'S TEAM HAS FAILED TO CURB THE ENERGY CRISIS IN PRIMORYE, THE EXTENT OF WHICH HAS UNCLAS SECTION 07 OF 07 VLADIVOSTOK 0678

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TAGS: PGOV, PREL, RS, BO, UP

SUBJECT: TO LIVE AND DIE IN PRIMORYE: THE STRANGE WORLD OF YEVGENIY NAZDRATENKO

BEEN SO SERIOUS THAT IT MADE THE MAJOR NEWS IN ALL FEDERAL AND REGIONAL MASS MEDIA, AS OVER 90,000 PEOPLE WERE LEFT TOTALLY WITHOUT HEAT FOR EXTENDED PERIODS IN SUB-ZERO TEMPERATURES. PUTIN CALLED THE SITUATION QA CRYING SHAME,Q WHILE UNITED ENERGY SYSTEMS HEAD ANATOLIY CHUBAYS BLAMED NAZDRATENKO'S INCOMPETENT MANAGEMENT FOR THE PROBLEM. HE NOTED, IN PARTICULAR, THAT QWE CAN DELIVER THE HEAT, BUT WE CANNOT CHANNEL IT THROUGH THE DESTROYED MUNICIPAL INFRASTRUCTURE.Q NAZDRATENKO COUNTERED, IMPLAUSIBLY, THAT HIS TEAM COULD NOT SOLVE THE CRISIS BECAUSE PRIMORYE WAS OWED OVER 5 BILLION RUBLES BY THE FEDERAL AUTHORITIES.

23. IN LATE NOVEMBER, NAZDRATENKO LEFT FOR MOSCOW QTO SOLVE THE ENERGY PROBLEM RESULTING FROM HIGHER-THAN-EXPECTED COSTS OF FUEL AND NONPAYMENT OF FEDERAL DEBTS TO PRIMORYE,Q WHERE HE REMAINED FOR OVER A WEEK. WHILE THERE, HE MET WITH PUTIN, PRIME MINISTER KASYANOV AND NUMEROUS DUMA DEPUTIES. SIGNIFICANTLY, WHILE MANY DEPUTIES WERE CRITICAL OF NAZDRATENKO, HE RECEIVED STRONG SUPPORT FROM ZYUGANOV'S COMMUNISTS AND ZHIRINOVSKIY'S LIBERAL DEMOCRATS (THEY KNOW A LIKE-MINDED AUTOCRAT WHEN THEY SEE ONE). NAZDRATENKO RETURNED TO PRIMORYE WITH PROMISES OF FEDERAL INFUSIONS OF CASH, BUT WITH FEW NEW PLACES TO TURN OR PEOPLE TO BLAME IF THE HEAT STAYS OFF IN PRIMORYE. PUTIN, LIKE A CALCULATING FISHERMAN, IS SLOWLY DRAWING THE NET AROUND NAZDRATENKO, THE BIGGEST FISH OF ALL.

-----  
HOW WILL IT END?  
-----

24. LIKE HIS POLITICAL CONTEMPORARIES, NAZDRATENKO FACES A FUNDAMENTAL AND INESCAPABLE PROBLEM: HE IS PLAYING A LOSER'S GAME. IN THE END, IF HE DOES NOT PROVIDE FOR THE SECURITY AND WELFARE OF HIS OWN PEOPLE, THEY WILL TURN ON HIM, AND HIS HOLD ON POWER, NO MATTER HOW ABSOLUTE IT MAY APPEAR IN THE SHORT TERM, WILL EVENTUALLY COLLAPSE. IT IS UNLIKELY THAT HE WILL SUFFER THE FATE OF FORMER SERBIAN LEADER MILOSEVIC, WHOSE OWN PEOPLE DROVE HIM OUT OF OFFICE, AFTER TAKING OVER A DECADE TO AWAKEN FROM THEIR DELUSION THAT SERBIA'S MISFORTUNES WERE ALL THE FAULT

# Withdrawal/Redaction Marker

## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. cable	[KGB] (6 pages)	01/11/01	P1/b(1)

**COLLECTION:**

Clinton Presidential Records  
 NSC Cables  
 Jan 2001 ([Flying Saucer or UFO])  
 OA/Box Number: 540000

**FOLDER TITLE:**

[01/11/2001]

2006-0474-F  
 @115

### RESTRICTION CODES

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

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

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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- 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 concerning wells [(b)(9) of the FOIA]

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PRM. Personal record media, defined in accordance with 44 U.S.C. 2201(3).

RR. Document with...

## M S M a i l

DATE-TIME 07 August 96 20:19  
FROM Marsh, Thomas S.  
CLASSIFICATION UNCLASSIFIED  
SUBJECT I've been there... [UNCLASSIFIED]  
TO Alijanil, Leyla  
Bakke, Kyle D.  
Carter, Michael E.  
Hasman, Thomas M.  
CARBON\_COPY NO CC's on THIS MESSAGE  
TEXT\_BODY

^Alien Believers Think Missing Man Abducted By Supernatural Force<  
^Eds: story moved previously on Arizona state wire; NOTE CONTENTS of  
20th-21st grafs<

^By MARK SHAFFER=

^The Arizona Republic=

PHOENIX (AP) They came from outer space 20 years ago and hauled poor ol' Travis Walton away from the pine woods of the Mogollon Rim for five days.

Now, they're back, say some who study unidentified flying objects. This time, they landed only about 10 miles, as the UFO flies, from where phenomenon followers say Walton was beamed up by a blue light and immortalized in the 1993 movie ``Fire in the Sky."

In the latest incident, last year, Devin Williams was hauling an 18-wheeler full of lettuce and strawberries from Los Angeles to Kansas on Interstate 40 in northern Arizona when something strange, and perhaps tragic, happened to him.

Williams veered off the interstate at Winslow and sped 40 miles down Arizona Highway 87 to the Blue Ridge Ranger Station. Then, he barreled another 15 miles down a rough Forest Service dirt road, at times menacingly circling campers or running other motorists off the road, before getting stuck in mud near the edge of the Rim. He got out of the truck, got on his knees and started talking to a tree.

Later, he waved a \$20 bill wildly in the air and threw rocks at people who tried to approach him. He pointed to a rock and said he was about to start a fire with it.

But it wasn't as much what he did as what he said later that got UFO enthusiasts all excited.

One man approached Williams and asked him about his bizarre conduct.

``He said, ``They made me do it,'" said Bruce Cornish, a

Coconino County deputy sheriff, adding that Williams didn't explain who "they" were.

Then, the 28-year-old truck driver disappeared, leaving behind his semi and two things he was said to never part with: a police scanner and his favorite hat.

He hasn't been seen for 14 months.

Some speculate that he lost his way while wandering in the woods and died of exposure. But that's not the type of scenario that has really loosened lips in Rim country.

Rather, more unworldly explanations have circled about Williams, just as they have about Walton, a Snowflake resident who wrote about his 1975 experiences with alien creatures in a book later made into the movie. Walton said the aliens took him away for almost a week before dropping him off near a telephone booth in Heber.

"This is really kind of a curious incident," Walton said about Williams' disappearance. "Of course, we've been having all kinds of weird things up here.

"Three different people told me they saw a big, orange object hit the ground right before that big forest fire started over near Pinedale last month."

In other words: a spaceship crash. The Forest Service blamed a lightning strike for starting the 1,800-acre Cottonwood fire.

But Charlie Green of Tucson, who says he speaks with more than a modicum of authority after having 16 "alien encounters" during the past 55 years, sees a lot of similarities between the Williams and Walton cases.

"The whole crazy thing seems to tie in to what happened to Travis (Walton), but the thing that baffles me is that they always bring their victims back within a reasonable time," said Green, a Tucson insurance salesman and a member of a Texas group called the Mutual UFO Network.

Not that Green doesn't see a reason why Williams wouldn't be taken away for a while. There is a reason, and it has to do with the birds and the bees, he said.

"He's the right age. This all has to do with pure ol' semen," Green said.

"They take the semen from the males and the ovaries from females, and mix it with alien juice to make a half breed.

"But I still don't understand why he wasn't brought back."

Tom Taylor of Tempe, state director of the UFO network, says he understands. That's because he said Williams was never taken by little green men.

"We had someone research this thoroughly, and that was the conclusion," he said. "Just because he said 'they' doesn't mean 'they aliens.'"

Then, what happened to Williams?

Taylor said, "Only the gods know."

^End Adv for Weekend Editions Aug. 10-11<

## M S M a i l

DATE-TIME 09 August 96 14:38  
FROM Marsh, Thomas S.  
CLASSIFICATION UNCLASSIFIED  
SUBJECT I wonder what the rents are like.... [UNCLASSIFIED]  
TO Alijanil, Leyla  
Bakke, Kyle D.  
Carter, Michael E.  
Hasman, Thomas M.  
CARBON\_COPY NO CC's on THIS MESSAGE  
TEXT\_BODY

CRESTONE, Colo. (AP) This Shangri-la for New Age spiritualists, carved out of a failed subdivision, is having trouble with more earthly matters.

One of the directors has been suspended for throwing chairs at his colleagues on the Baca Grande Property Owner's Association board.

The dispute stems partly from how much governing there should be at all. Some residents are pushing for more controls on development, while some owners would like even fewer controls.

"There will always be trouble in any paradise. I expect all the normal human behaviors even in a community with spiritual aspirations," says Saguache County Commissioner Robert Philleo, who lives in the unincorporated area called the Baca Grande.

Religious groups began moving into the Baca Grande beneath 14,294-foot Crestone Peak in the Sangre de Cristo, or Blood of Christ Mountains, in the late 1970s when Canadian industrialist Maurice Strong and his wife, Hanne, began offering them free land for retreats, hermitages or eco-villages.

The land became available when plans for a huge subdivision fell through. Even now only about 330 of 5,600 lots are occupied. Monks and nuns created a Carmelite Catholic Monastery. Zen Buddhists developed a Zen Center, monastery and retreat. Indian, Tibetan, Indonesian, Korean and other sects also built centers in the pinon pines high above Crestone.

The area soon gained a reputation as a holy spot, or power center, where the spiritual forces of the universe converge. Reports of UFO sightings and cattle mutilations brought more attention.

In 1993, a woman claiming to have talked with aliens by computer proposed building a 396-foot pink pyramid. Supporters of the pyramid, called the "Pink Pyramid People," flocked to the area. The established religious groups joined with residents of the

town of Crestone, population 50, to oppose the plan, and nothing ever came of it.

But the area has become increasingly popular, both for New Agers and, as in many other Colorado mountain communities, people fleeing urban areas.

Saguache County's population grew 8 percent last year, and much of it was in Baca Grande or Crestone, elevation 8,000 feet, whose north-south streets are named after trees and east-west routes after minerals.

"There is a little animosity against people coming from Boulder, Santa Fe, N.M., and California. They disrupt us a little bit. They're swamping us," said Frank Snider, whose ownership of half a dozen businesses probably qualifies him as Crestone's tycoon.

"We never used to see the sheriff. Now there's a cop here every evening and he doesn't come without giving a ticket," said Snider, whose white beard nearly reaches his waist.

His wife, Katie, who is on the Crestone Town Council, said the New Age image attracts people not prepared to cope with bitterly cold winters or the lack of jobs. She says one man has been working on building an earth ship of tires for seven years but it still looks like junk.

Philleo said people come looking for a commune.

Mrs. Snider said, "They have that Crestone glow. They're going to sell everything they own and live in Utopia." She added: "This is a very normal place."

The Roadkill Cafe, in one of the buildings owned by Snider, promises "Same Day Service, No Extra Charge." Ostrich burgers are available until 4 p.m.

Though the Sniders argue Crestone is totally distinct from Baca Grande, the Roadkill's community bulletin board offers Moonlight Yoga Dream Group sessions, Sacred Passages, Tai Chi, a Gong Massage Center and Hypnosis Therapy, among others. An astrologer's business card is tacked next to one for Hangman Excavations.

A note in the unisex bathroom warns: "If you forget to unlock the back door when you leave tonight you will be abducted by strange reptilian extraterrestrials who will use you for bizarre sexual experiments (really)."

In general, the townspeople seem to get along well enough with the spiritualists. They also "make a wad of money off them," Philleo said.

Requests for welfare and other forms of assistance are lower in the Crestone area than other parts of the county, Philleo said.

"The quality of life in the area is enhanced by the quality of the people in the religious institutions," he said.

Richard Baker, roshi or teacher to those who come to the Zen center to meditate, said in theory what lies outside the monastery should make no difference. Yet, he adds, "Practicing here makes a difference. The beauty makes it satisfying."

Lito Tjada-Flores, author of several books on skiing, moved here

from Telluride partly to escape the constant confrontations so common in Colorado resort towns.

"The real beauty is that nothing is happening here. The fact that there are religious groups existing side by side here compared to other places where they are at each other's throats," he said, as a Tibetan prayer flag or wind horse fluttered outside his picture windows.

Legend holds that when the wind horses flutter they send prayers out into the world.

"That's a good destiny (for this place) to be a retreat spot," Tjada-Flores said.

^End ADV for Aug. 10-11<

APW- 08/09/96 13:23:00

DIST:

MR. MCCURRY: Good Monday -- what is it? Thursday? Feels like Monday. I haven't been here in a while. When you're having fun, time flies. It feels a couple days away here. What are you going to do?

Listen, let me start with a couple of housekeeping items. First, the President placed a call to Prime Minister Jean Chretien of Canada a short while ago. They had a conversation that lasted just over 10 minutes. It was an opportunity obviously, for the President to consult further with the Prime Minister on the situation in Iraq. The President and the Prime Minister agreed that relevant U.N. Security Council resolutions are very important and that they should be respected; that the government of Iraq's flaunting of those resolutions is unacceptable.

The Prime Minister also congratulated the President on the State of the Union address, which he apparently had either seen part of or had heard a great deal about.

Q When was this?

MR. MCCURRY: Finished just a short while ago. I expect, as I told you earlier today, I expect additional calls from the President to some of his counterparts in days ahead.

Q On Iraq?

MR. MCCURRY: On Iraq -- correct.

Q So far, on Iraq, who has he called besides Chretien?

MR. MCCURRY: He's talked to Chancellor Kohl, Prime Minister Blair yesterday he anticipates speaking very soon to President Chirac; and of course, the call to Prime Minister Chretien today.

Q Is he trying to build a case for unilateral action?

MR. MCCURRY: He's consulting closely with friends, other members of the Security Council as we consider next steps necessary to respond to what has been the unwillingness of the government of Iraq to meet its international obligations.

Q Is he talking with anyone in the Middle East?

MR. MCCURRY: He has not yet, but as you know, Secretary Albright I concluded meetings in Paris with her French counterpart and plans to see her Russian counterpart shortly, and then I think she will be in the region. I anticipate Secretary Cohen being in the region as well.

Q Will the President address the question of Iraq in his speech at the National Defense University?

MR. MCCURRY: Yes.

Q Will he advance what he has said previously, including in the State of the Union?

MR. MCCURRY: I expect him to reiterate the very strong passage he had in the State of the Union address.

Q He will not go beyond that?

MR. MCCURRY: I don't believe at this time the President wants to add what was obviously a very clear and unmistakable statement Tuesday night. We now have very high-level diplomacy, obviously, in place, and at work to further our own views.

Q No ultimatum today?

MR. MCCURRY: I'm not -- that's not the forum that the President plans to advance the story at this point.

Q How much support is he getting?

MR. MCCURRY: Oh, I think we have very strong support in the Security Council across the board for clear admonitions to the government of Iraq to meet obligations. And that's been stated by governments both within the Security Council and other governments.

Q My question is, how much support is he getting for an aggressive action?

MR. MCCURRY: Well, the President hasn't made a decision with respect to the use of force, but he clearly is discussing what options are available with others so are our senior diplomats.

Q Will you please tell us for purposes of the official transcript whether the White House can confirm these reports that Monica Lewinsky --

MR. MCCURRY: Sam, I'll come back. Let's do that after --

Q Do you have something for this?

MR. MCCURRY: I've got a couple of other housekeeping items. Stay on Iraq, yes.

Q What about Yeltsin? Does he anticipate talking to him?

MR. MCCURRY: I would not rule out that. I'm a little more certain that he will talk to President Chirac soon, but I wouldn't rule out that he will talk to President Yeltsin as well.

Q Did the President tape a Voice of America address to the people of Iraq urging cultural exchanges?

MR. MCCURRY: Have we given out that passage yet? I can tell you more about it.

He did. This is the President's annual statement on the occasion of the Islamic New Year which is, of course, the end of Ramadan. He did express to the people of

his personal view that the United States regrets the estrangement of our peoples and our two nations. Iran is a country, the President believes, that has

a rich and ancient heritage of which the people of Iran are justifiably proud. We have got some real differences obviously with the government of Iran but the

President believes that those differences are not insurmountable and he hopes

that more exchanges between our peoples will bring the day that we can enjoy

again good relations with Iran and with its people.

Q Basically, he's accepting President Khatami's proposal for these kinds of cultural exchanges?

MR. MCCURRY: The President recognizes and appreciates the new tone that

President Khatami has set with some of his public comments. We have repeatedly

noted -- the U.S. government has noted and I think that the American people have

noted -- that we do not have differences directly with the people of Iran, we

do have differences with respect to the policies of Iran's government. I'm

aware that we have formally agreed to any exchange, but I think the President is indicating to the people of Iran in this statement that those kinds of exchanges could be fruitful.

Q That was on the Voice of America?

MR. MCCURRY: This is the annual message that he prepares that is distributed both by -- or reported on by the Voice of America and distributed by US Worldnet.

Q Mike, a few months ago, Foreign Minister Primakov made the usual rounds -- in what was supposed to be a diplomatic solution, but Saddam Hussein kicked out the American inspectors, all kinds of problems. It seems that Prime Minister Primakov is doing the same thing. Ms. Albright is on her way to meet all foreign leaders. Is there any way the U.S. will accept a solution from Primakov at this time?

MR. MCCURRY: It's not a solution by any individual government that seek, it's the willingness of the government of Iraq to meet its international obligations, to allow the inspections to take place that are necessary to determine the extent and capacity of his programs in weapons of mass destruction. And it's Iraq's obstinacy when it comes to those inspections that is now the purpose of international diplomacy. And we certainly hope and expect that any diplomacy undertaken by members of the Security Council will be directed at conveying that very strong message to the government of Iraq. We have no reason to believe that the Russian Federation has communicated any message that.

Q Mike, on Russia and Iraq, is the United States making any progress -- China, too -- on persuading its allies that force might be possible in Iraq? Is a military strike might be possible, those who have been most resistant to in the past?

MR. MCCURRY: I again stress to you that the President has not made a decision on use of force, so our consultations are about the situation that we are in and the extent to which diplomacy may or may not bear fruit, and the degree to

Flying Saucer or UFO?

which  
diplomacy is increasingly running out of string, thus bringing the need for  
other  
options to at least be in focus as these consultations occur. I don't know  
I would describe the purpose of our diplomacy at this point to be to convince  
other governments of a certain course of action, but it's certainly designed to  
explore the kind of action that is necessary if we are going to achieve the  
objectives that we have.

Q When do you expect the President to make a decision on this?

MR. MCCURRY: I expect the President to continue to participate in the  
of  
diplomacy I've described to you and I expect him to await reports in the  
near future from his two Secretaries who will be consulting on this matter  
and  
perhaps from Ambassador Richardson who will pursue his conversation  
well.

Q Well, Mike, are you trying to give the impression that the President is  
searching for some diplomatic solution to avoid military conflict?

MR. MCCURRY: I think that it's clear the United States government is  
consulting  
on the utility of diplomacy at this point, and whether or not, through  
diplomacy,  
we can achieve the objectives that we have.

Q Can we turn to the other matter?

MR. MCCURRY: One more, Bill, and then we can.

I'm doing this on behalf of Larry Haas, probably his last official act at C  
before going to work for the Vice President. But just so we have on the  
record  
so that people will see it, since we have confusion about this every year,  
what  
to do on Monday if you're interested in getting a copy of the Federal Budget

On Monday, OMB will release the President's budget for the Fiscal Year  
1999.

Distribution to members of the press will be only to those who display  
official  
press credentials, and that will occur between 8:00 a.m. and 10:00 a.m. on  
Monday, February 2nd, at the Government Printing Office.

OMB will provide one free copy of each of the five budget documents that  
we make  
available every year; in other words, one free copy per news organization

And  
members of the press may purchase additional copies of the budget  
documents as  
well. I think they're restricted to purchasing one additional if I understood  
correctly from Larry.

Everyone knows where GPO is. If you don't, it's down on 710 North Ca  
Street. The five documents that we put out in connection with the budget  
range  
from the budget itself to the explanatory materials, the analytical  
perspectives,  
the historical tables, so forth, ranging in price from \$62 for the big banana  
the appendix; and \$2.50 for the very user-friendly Citizen's Guide to the  
Federal  
Budget.

And in addition, the documents are going to be available on the Internet  
8:00  
a.m. And if you want more information on the Internet site and how to access  
it,  
please call 202-512-1530; toll free, 888-293-6498.

Q I'd like to renew the question then so we can get an answer on the official  
transcript. What is the President's comment, or your comment, to these  
reports  
that he met with Monica Lewinsky on December 28th here in the White  
House to  
discuss her possible testimony?

MR. MCCURRY: The President has made very clear that in answer to  
questions on  
this matter, that he has not told anyone to lie about this matter, and he's  
it very clear that he had no sexual relations with this woman.

Q But that is not my question, Mike. Did he meet with Monica Lewinsky?

MR. MCCURRY: You've heard me on this subject in the past several days.  
I'm not  
going to piecemeal respond to questions that have been raised.

Q It's a legitimate question, do you not agree?

MR. MCCURRY: And on that specific question, I don't have anything to say  
the  
Counsel's Office that I can provide.

Q Let me ask you this. Monica Lewinsky left the White House employment in  
April of  
1996, and yet we have WAVES records which show that she was here on

repeated  
occasions between then and late last year, including, apparently, Decem  
28th.  
Why was she allowed to keep coming back if she had been removed fro  
here?

MR. MCCURRY: I do not have any such WAVES records, and if CBS  
News has them you  
can report on them. But I don't have those records.

Q If I could just -- I know I'm a visitor, but let me throw this out to you

MR. MCCURRY: Welcome.

Q If the meeting did not take place, the logs would reveal that. Releasin  
logs would give us the answer. If it did take place, it obviously begs the  
question again of the President's relation with Miss Lewinsky.

MR. MCCURRY: Again, I think Sam had asked me, I think only intend  
ask me  
once -- but I'll repeat it for the record that we are not in a piecemeal fast  
going to try to respond to each and every story that arises on this matter.  
There are no doubt going to be many, many stories in days and weeks al  
and  
the Counsel's Office elects to provide the President the opportunity to  
respond  
to these types of questions in the proper forum. The proper forum which  
exists  
at this point now is an inquiry by the Office of Independent Counsel and  
whatever  
other legal venues are available.

Q Will it concern you if there is a story, a lot of stories that say you're  
stonewalling?

MR. MCCURRY: Not if we are rallying around the Arkansan the way t  
Confederacy  
rallied around the Virginians at Bull Run.

Q The Confederacy lost. (Laughter.)

MR. MCCURRY: At that battle, Sam, they did not.

Q Well, Mike, does the President not feel that by not providing informa  
he  
is doing himself a disservice if, in fact, he has a story that will clear all  
this up?

MR. MCCURRY: I think the President has asked of the American peop

opportunity to address these matters in the proper forum, and I think he encouraged that the American people will give him that opportunity.

Q Isn't the court of public opinion a proper forum to discuss these matte

MR. MCCURRY: The court of public opinion we hope will rely on fact truth that is developed through reasonable examination, cross-examination, provision of testimony. And we've already seen examples how sometimes allegation: suggestions, leads can out-run the capacity to develop facts.

Q Mike, if you don't want us to rely on leaks, then do you expect us to v until there is perhaps a trial before we see the WAVES records?

MR. MCCURRY: No, I just expect you to do what good news organiza would reasonably do, which is to report as accurately as you can based on fact information that you know.

Q How can we if we don't have this information?

MR. MCCURRY: Well, I think you all know the constraint that I'm labo under here, and I don't want to belabor the pain and anguish I feel.

Q This isn't a personal thing. We're not --

MR. MCCURRY: I know, I know. But I mean --

Q -- impugning your personal integrity.

MR. MCCURRY: I know. I understand that, Sam. I'm just saying that th the judgment is that there has to be a proper forum in which you can bring c and present truth, and we can't do it in a fashion in which we are responding cascade of allegations and stories and developments that -- and sources are anonymous --

Q Well, let me ask you this, Mike. The President himself said the other that he would speak to the American people about this at the proper time. The First Lady in her first television interview said that he would do the sam thing. In her second television interview she said, you won't be hearing anymore from him, from my husband. And we're not hearing anymore from you.

MR. MCCURRY: We all saw that, I think, and I know that you know th

has engendered any discussion of executive privilege by counsel.

Q Mike, I understand you don't want to tell us about the exact nature of relationship between the President and Lewinsky, can you tell us what the relationship was between Lewinsky and Betty Currie?

MR. MCCURRY: I'm just not going to characterize things that might properly be under the venue or the purview of the independent counsel.

Q Mike, the President's attorney asked to push up the Jones' trial. Starr has asked more or less for it to be delayed indefinitely because he claims

discovery is interfering with his investigation. Do you have reaction to his moves today that counter yours?

MR. MCCURRY: I don't know indeed for a fact that he has done that, but any event that would, I suspect, be a matter that would be adjudicated before a judge in that case and I would leave it to the parties in that litigation to express their views.

Q Mike, do you wish to dispute any of the facts reported today by The New York Times and Washington Post?

MR. MCCURRY: I've already indicated I don't have anything for you on either of the stories.

Q I'm Jeremy Thompson from Sky News.

MR. MCCURRY: Well, welcome, nice to have you here today.

Q Thank you very much. British Prime Minister Blair is visiting the President next week. I wondered how much the President is looking forward to that and how concerned he might be that these allegations could prove a distraction and undermine the value of that visit?

MR. MCCURRY: There will be tremendous high value in that visit for a number of reasons. First and foremost, the President enjoys a very close working relationship with the Prime Minister. Second, we are pursuing at this time a number of very important matters with the government of the United Kingdom, including how we respond to the situation in Iraq, how we make further plans for

developing a deep peace in Bosnia, how we address all the questions related to the future of NATO that you heard the President talk about in his State of the Union address the other night.

The President and the Prime Minister have been directly engaged by telephone just in the last several days on the question of Northern Ireland. And by way, on that, we welcome the British government's announcement today establishing an official communication to make an independent inquiry into the circumstances of Bloody Sunday, the terrible tragedy that took place, as I think many of you recall, 26 years ago.

This is an important and timely initiative to come to terms with the past to help the people of Northern Ireland look to the future and to the reconciliation that they seek as they now negotiate the terms of a peace that we hope will bring an end to the troubles and bring those peoples the peace they fervently desire.

The President's work with the Prime Minister on that issue alone is one example of the kind of partnership that they have developed, and that will be something that they will explore at length when they meet next week.

But they will also discuss personally what goes on and the situations that they both encounter as they provide effective leadership to their peoples. And the statement I just read indicates, we have -- the President has a great deal of admiration for the political courage of Prime Minister Blair. This inquiry

he has launched is something that I think was no doubt difficult to do and speaks to his devotion to the peace process and his determination to advance the peace process forward. And I suspect very much the Prime Minister will want to talk to the President about the President's situation. I'd be surprised if he didn't.

Q Mike, I know this issue pales in significance, but the First Lady and F. Rains are going to talk about the District today at 2:00 p.m. They're going to provide some economic help. But there has been a denial of democratic

rights or  
a usurpation of democratic rights by legislation by the Republican-contr  
Congress. Is the President ever going to speak to the restoration of  
democracy  
in the District of Columbia, or is it just going to be more money every y

MR. MCCURRY: He no doubt will and I would not be surprised that to  
when the  
First Lady and when Director Raines and others talk about the type of  
assistance  
that will be available from the federal government for the District, they'll

about the fundamental right that the citizens of the District have to  
democratic  
representation.

Q But will that be followed up with pieces of legislation or with contact

Mr. Faircloth or Mr. Taylor in terms of -- or the Speaker in terms of -- is  
administration, I guess what I'm saying, going to introduce legislation th  
will  
rectify what happens this summer --

MR. MCCURRY: I would have to look further and see if that is someth  
in  
fact, that the administration is exploring. I have not heard that. But I wil  
say one thing, that that the type of assistance that we are providing and 1  
initiatives the President will propose with respect to the District of Colu  
are designed to get this city in the shape that the President suggested it  
should  
be in Tuesday night, and get this city in a position where it can manage  
fiscal affairs prudently and wisely, and restore the kind of sense of  
responsibility that people expect of the leadership of the District so that  
can have the full-fledged democratic rights to which the citizens of the  
District  
are truly entitled.

I think these are not disconnected issues. I think that, in fact, making su  
that the District can thrive economically is part of the equation of restor  
sense of democracy and purpose to the governance of the District.

Q Mike, the campaign finance investigation was and is an ongoing crim  
grand  
jury investigation. Yet you folks released piecemeal a lot of White Hous  
records in that case. Can you explain why you didn't feel similarly  
constrained  
then as you do now?

MR. MCCURRY: Because they are two different situations. In the case

the  
campaign finance discussions, there were ongoing procedures on Capitol  
Hill.

There were, I think, fairly combative hearings that were being held in the  
Senate  
and then in the House. I mean, it's an entirely different situation, as is  
probably obvious to you.

Q Mike, what you're saying, though, is that the criminal investigation is  
what's  
constraining you. And the question is, if the criminal investigation is  
constraining you now, why didn't it concern you before?

MR. MCCURRY: David, that's not what I'm saying. And what I said on  
subject, as I told you a moment ago, I told you yesterday.

Q Charlie Trie has been in town --

MR. MCCURRY: I don't have any reaction to that. The Justice Department  
has  
just issued a statement.

Q Mike, on the issue of Iraq, has the President considered any kind of  
address  
to the nation on the issues involved?

MR. MCCURRY: I think the President, of course, addressed the nation  
Tuesday  
night and made very clear our intent and objective with respect to Iraq and  
what  
we seek in terms of our overall objectives. We want to thwart Iraq's capacity  
to  
develop and use weapons of mass destruction. We want to limit Saddam  
Hussein's  
ability to project force and to threaten his neighbors. That will remain the  
President's objectives as he pursues diplomacy. It will remain his objective

he speaks, as he will today, about what next steps we must consider and  
contemplate. And at any appropriate time, if the President, as Command  
Chief,  
deems necessary, I'm sure he'll want to take his case to the American people

Q I wonder, Mike, if you'd care to comment on the story in today's  
Washington  
Post about these very graphic allegations involving Kathleen Willey and the  
President.

MR. MCCURRY: I do not.

Q Vernon Jordan has been subpoenaed in this matter and it may be that the

Q Well, to what extent are your decisions about responding to our quest and how the President will ultimately respond, as he said, sooner rather than later, with more rather than fewer answers, driven by what you're reading in the polls?

MR. MCCURRY: Very little, if you judge what I read about all the inter-deliberations between the political people and the legal people at the White House.

Q Is that true?

Q The poll numbers also show, Mike, that over the past week or so, the percentage of people believing the allegations has declined somewhat. I wonder

--

MR. MCCURRY: I don't know that to be a fact. If you -- is that true? Anyone else -- I'm not sure that's true. That is true? Good. But anyhow, the point

Q What they seem to show is the percentage of people who say it doesn't matter if he's had a sexual relationship with this young woman has risen.

MR. MCCURRY: I guess the percentage of people who believe me, I hope has remained steady. The percentage of people interested in hearing me has surely declined. (Laughter.)

Q You've told us very carefully that you don't know things. You have made it clear that you are out of the loop.

MR. MCCURRY: I am out of the loop. I'm not even sure --

Q Which may be the best position for you to be in --

MR. MCCURRY: I'm not even sure on this matter there is a loop.

Q Mike, you had an abortion clinic bombing in Birmingham this morning. Last year, there was a bombing of a clinic in Atlanta. That crime is still unsolved. The two may have nothing to do with one another but does the President have it's time to step the federal investigation of these crimes?

MR. MCCURRY: The President will have a statement shortly that will strongly --  
it is already? Okay. So, he obviously has strongly condemned the violer that  
occurred. He thinks that this bombing is an unforgivable act that strikes the  
heart of the constitutional freedoms and individual liberties that all Americans  
hold dear and that are protected.

Very clearly, one of the reasons that he signed into law legislation that r  
it a federal crime to interfere with a woman exercising her constitutiona  
right  
to visit a women's health center is so that the full weight of federal law  
enforcement can be brought in an effective way when a situation arises :  
which  
that is called for or entertained or agreed to by federal law enforcement  
officials, working in close cooperation with state and local officials. An  
indeed, federal agents are already in Birmingham to assist local law  
enforcement  
officials there to make sure that the perpetrators of this crime are brought  
justice.

Q Mike, several times from this podium you've been very critical of the  
President's opponents for alleging conspiracies on any number of topics  
from  
Vince Foster to the Mena airport, on the basis of innuendo and without  
evidence  
or facts. Why is it different than the President and First Lady alleging a  
wing conspiracy, so far on the basis of no facts?

MR. MCCURRY: Well, I think that there are some facts and some of th  
have been  
reported even in your newspaper about sequence of events and things he  
come up.

Q But you didn't articulate any and you declined to articulate any yester  
when we asked you on that.

MR. MCCURRY: I think you actually carried a very good story yesterd  
exactly that subject.

Q Mike, can you explain. A sequence of events and a conspiracy are two  
different things.

MR. MCCURRY: They had a good story on it, and if you have a copy,  
provide  
you one.

the  
President used to deal with and is now bringing in but we haven't yet  
mentioned?

MR. MCCURRY: No. I am only aware that he has retained Mickey Kar  
but we  
told you about that over the weekend. I'm not aware that he has formally  
added  
anyone else to his legal team.

Q What about Harry Thomason, how can he talk to the President without  
being in  
danger of having every conversation subpoenaed?

MR. MCCURRY: I don't know what kind of conversations he's had. He  
President's friend and he's been here in recent days, but I don't know what  
they've talked about.

Q Mike, on the relationship -- the question of the relationship between  
Lewinsky and Betty Currie, can you at least say that they had some sort  
relationship?

MR. MCCURRY: I do not know the answer to that. I don't know what kind  
of  
relationship they had.

Q Do they know each other?

MR. MCCURRY: I do not know.

Q Mike, Governor Romer last night said that the DNC plans to depend  
more  
heavily on Gore between now and midterms. Is there any similar plan at  
White  
House to put Gore forward a little more?

MR. MCCURRY: Yes, he's going to start doing the daily briefing. It's very  
good. (Laughter.)

Q Do you like the way he's shouting?

MR. MCCURRY: He's going to do that. Actually, I wish he'd -- maybe  
come  
down here and say, come stand by Mike McCurry. (Laughter.)

Q I thought the boy was on speed last night.

MR. MCCURRY: Sam. You know our view on that kind of --

Q Well, he was energetic.

Q On occasion, the counsel here, Mr. Ruff, has been in touch with some the President's personal attorneys. Are those conversations privileged in a client-attorney relationship, or are Mr. Ruff's conversations not subject to any kind of privilege?

MR. MCCURRY: Ann, that's a question that I'll ask Mr. Lockhart -- I'll ask that question and ask Mr. Lockhart to pursue that. There has clearly been litigation in front of the courts on exactly that kind of question. I know Chuck Ruff to be a superb attorney and I know that he has worked hard under difficult circumstances on this issue, and I'm sure that whatever work he's done is consistent with his obligations under law and consistent with the desire

of the President's other attorneys to protect the privilege rights and the President has as a client and as an individual. But how exactly that is done and what the legal interpretation is is a question I don't want to haphazardly guess at.

Q Mike, you say that people want to hear from the President. Given this ongoing criminal investigation, can you envision the President being able to talk to the American people until that's over?

MR. MCCURRY: The way this thing is eight days into this story, and if I had asked me nine days ago would we be sitting here talking about this today would have been impossible to imagine. So I think it is equally impossible to imagine how things will unfold in coming days and weeks.

Q -- have a press conference?

Q Yes, that's my question. Are you still going to have a full-fledged press conference with Tony Blair?

MR. MCCURRY: I am. But I think that you can all easily imagine that the President is not going to entertain questions on this subject and not going to be able to provide you with many answers if you want to persist in asking.

Q Wendell spoke of the numbers of people believing the President going to Also the numbers of people who think that the media has done a poor job or is covering

this too much, that's also gone up, too. Is that part of the White House strategy, to be critical of the media --

MR. MCCURRY: Yes. Part of the White House strategy is to have me c  
out here  
every single day and bore people senseless with the answers that I give c  
this  
matter. (Laughter.)

Q You're not boring us.

Q No, this is very enlightening. (Laughter.)

MR. MCCURRY: Look, I think that people make their judgments based  
what they  
think is right and what they think is fair, and I'll leave it to them to decid  
how you're doing your job.

Q Mike, the President could come out and say, I did not meet with Mon  
Lewinsky on December 28. He could end it.

MR. MCCURRY: Sam, that would not end it, and you know that would  
end it.

That's disingenuous to say that.

Q People would have his word.

Q This notion that we're all going to stand up and ask him all these ques  
next Wednesday or whenever the press conference with Blair is, and he'  
going to  
say over and over again, I never told anyone to lie, I never had improper  
sexual  
relations and that's going to -- it's like name, rank and serial number. Is  
going to be -- how is that going to be helpful?

MR. MCCURRY: Well, it will be of necessity if all the things given tha  
answered our friend from across the way about what they are going to te  
about  
at this meeting and if you want to persist in asking questions that you kr  
at  
the beginning of the news conference he's not going to be able to answe  
think  
the question about why the public has some of these concerns about the  
might present themselves.

Q Mike, his refusal to answer questions doesn't mean that he can't answer  
them.

Q Is he back on the job?

Q Is she at work?

MR. MCCURRY: She's a decent person who didn't deserve to be in a position where she was frightened.

Q Is she back at work?

MR. MCCURRY: Yes.

Q Mike, how does the obviously enthusiastic response the President got yesterday, how will you factor that into deciding whether or not -- how

questions to answer, when to answer them? Does it tell you that stonewalling, while it may not work, is uncomfortable here --

MR. MCCURRY: If I could illuminate any of that, I would. It's kind of can't illuminate that right now.

Q Did it give you any clues?

MR. MCCURRY: Any clues as to what?

Q As to what the public wants to know, what the public is demanding to know, whether or not we represent the public's interest or not.

MR. MCCURRY: I don't think that one speech in middle America or in Wisconsin tells you a whole lot about things like that. I think you have to use the best judgment that you can bring at the time and move on.

Q Mike, are you considering limiting your daily briefings?

MR. MCCURRY: Limiting in what fashion? Clearly, not. (Laughter.)

Q Like not having them every day?

MR. MCCURRY: No. I mean, I've got to be here. There are days where don't do briefings, when we've got something like a State of the Union address something. But I show up here pretty regularly, regardless of the circumstances. That's fair to say, right?

Q What's the President's view of the Air Force pilot yesterday who ran into the

mud? (Laughter.) No, seriously.

MR. MCCURRY: He's got an enormous amount of respect for those folks. And that particular episode, why it happened, it didn't bother the President and I suspect that the crew involved feel worse about it than the President does, to be

Q The President did get big and friendly crowds yesterday when he was on the road. Do you think he's going to choose to go on the road again?

MR. MCCURRY: Of course. Look, we travel a lot. This President has been out on the road and out in the country more so than some of his predecessors, I believe.

Is that right, Helen? That's fair to say.

Q Quite a bit.

MR. MCCURRY: Quite a bit. And I suspect he will in the future, neces-

constrained by the extensive foreign travel schedule we have this year. I wouldn't be surprised if, for example, when we do something like unveiling the budget he then goes out and speaks to it on the road. But it's not going to be any different than it would have been this time last year, in which we did a lot of the same kind of thing. We get out and try to talk to Americans.

Q Monday, Tuesday? In other words, the budget is Monday, right?

MR. MCCURRY: That was a hint that I dropped.

Q Right. But where is he going on Monday or Tuesday?

MR. MCCURRY: It's always good to let a little rabbit out that people can chase. You will be especially happy at where he's going.

Q Tucumcari, New Mexico? Roswell?

MR. MCCURRY: I didn't say a thing. No, we don't need to go there because we were in the flying saucer yesterday. (Laughter.)

Q -- a question on presidential travels. A lot of the travels we've had the pleasure of making over the last year have been for campaign dinners, and the President was raising money for various candidates. Are we going to have a lot

time.

But we are working hard with the Embassy in developing a proper program that we can publicly release, and when I can do so I shall consult with the Prime Minister's official spokesman, the PMOS, and see if we can coordinate our statements. Mine will be in the name of the official White House spokesman.

Let me do a couple more. You guys can leave any time, like an hour ago.

Q Now that Congress is back, is there any plan for the President to meet the Democratic leaders, either on the Hill or here?

MR. MCCURRY: Not in the immediate future, but certainly we will be working up an agenda with them. I wouldn't be surprised if they get together sometime relatively soon.

Q A related question -- is there any effort by the President or by his aide to consult with Democrats on the Hill to make sure they feel informed about this controversy and remain supportive?

MR. MCCURRY: Yes, I think there is a strong desire to consult with them, but I think that the folks who work on that are as necessarily constrained as I am in some respects. So I don't know that it's entirely satisfactory for those on the Hill, because they're not in any better position to get information that they seek than many of you.

Q Are you urging congressional Democrats not to jump to conclusions, to come out against the President?

MR. MCCURRY: Of course. And I think that they have now seen that it's fair to say that is a predominate attitude of the American people, apparently, and I think that that will give members of Congress some comfort, that they can wait for the proper settings in which the truth can be presented.

Q Two minutes ago you said that the President probably would discuss the difficulties with the Prime Minister when he's here. If he does, why does he talk to the American people about it?

MR. MCCURRY: I would suggest that would be done in more of a personal

Exchange Mail

DATE-TIME 2/9/98 4:56:02 PM  
 FROM Wozniak, Natalie S.  
 CLASSIFICATION UNCLASSIFIED  
 SUBJECT RBTP on Social Security [UNCLASSIFIED]  
 TO Crowley, Philip J.  
 Dehqanzada, Yahya A.  
 Luzzatto, Anne R.  
 Rubin, Eric S.  
 Wozniak, Natalie S.  
 Benjamin, Daniel  
 Blinken, Antony J.  
 Gray, Wendy E.  
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 THE WHITE HOUSE  
 Office of the Press Secretary

For Immediate Release February 9, 1998

REMARKS BY THE PRESIDENT  
ON SOCIAL SECURITY

Gaston Hall  
 Georgetown University  
 Washington, D.C.

10:53 A.M. EST

THE PRESIDENT: Thank you very much. Special thanks to those of you who had to wait all night to get in. (Laughter.) Hope you won't be disappointed. (Laughter.)

Mr. Vice President, Father O'Donovan, to all the groups here who are concerned with Social Security, especially to Congressman Penny and the Concord Coalition, and John Rother and the AARP, I thank you all for being here.

I thank Senator Bob Kerrey, who when he cast the decisive vote for our budget in 1993 said that he would do so only if I were also committed to dealing with the long-term structural problems of Social Security, to heal the deficit there well. I thank Gene Sperling and the members of my staff who worked with us on this. And thank you, Mannone Butler, for embodying what this struggle is about. Weren't you proud of her? She did a great job I think. Thank you much. (Applause.)

When I first ran for President six and a half years ago now, I came to this hall to set out my vision for 21st century America, and a strategy for achieving

Often in the years since I have come back here to discuss our nation's most demanding challenges. And on many occasions, but none more relevant today,

I have recalled the assertion of my freshman professor in the history of civilizations course, Carroll Quigley, that the distinguishing characteristic of Western civilization in general and the United States of America in particular is what he called future preference -- the idea that the future can be better than the present or the past; that each of us has a personal, moral responsibility to work to make it so, to plan for it, to work for it, to invest for it.

There is no better example of that principle for the strength of America than the opportunity and the duty all of us as Americans have now to save Social Security for the 21st century. So today I return to discuss what we have to achieve that and why it is so important.

You know, there was a recent poll which said that young people in the generation of the students here felt it was far more likely that they would see a UFC than that they would draw Social Security. (Laughter.) And others may think

it's a long way off, as Mannone said, and the Vice President said he thought it was a long way off.

A couple of days ago I went to New Mexico to visit our national labs -- may have seen the story. And our national labs at Los Alamos and Sandia and Lawrence Livermore, where we do a lot of the research that not only helps us to preserve the security of our smaller and smaller nuclear arsenal, but helps us to deal with our environmental questions and a lot of other fascinating challenges the future. But anyway, after I finished this, I had lunch with a few of my friends, including a man that I went to Georgetown with. And at the end of the lunch he whipped out this photo and gave it to me, and we were sitting in a park together, about a week after I graduated in 1968. And I looked at that photo and I thought, my goodness, where did all the time go? It seems like it was yesterday.

I say that to make this point: It may seem a long way away from the time now -- where you are until you will need retirement. It may seem a long way away before most of your parents need retirement -- but it isn't. And great social security plans over long periods of time so that individual lives can flower and take root and take form. And that is what we have to do today.

Social Security is a lot more than a line in the budget. It reflects some of our deepest values -- the duties we owe to our parents, the duties we owe to each other when we're differently situated in life, the duties we owe to our children and our grandchildren. Indeed, it reflects our determination to move forward across the generations and across the income divides in our country, as in America.

Social Security has been there for America's parents in the 20th century. I am determined that we will have that kind of security for the American people in the 21st century. We are entering this new millennium, the new century, with restored confidence -- the Information Age, a growing global economy,

When the British Prime Minister was here last week, Tony Blair, we str  
that we both think, and many other leaders increasingly around the world  
beginning to think that this debate is fruitless and that there has to be a t  
way -- that 21st century government, Information Age government, must  
smaller,  
must be less bureaucratic, must be fiscally disciplined and focus on being  
catalyst for new ideas and giving you and all other Americans the tools  
need  
to make the most of their own lives.

For five years we have reduced the size of the deficit, reduced the size of  
government, dramatically reduced the budget deficit by over 90 percent,  
continued to invest in your future. And in very dramatic ways that's cha  
the  
experience of going to college.

Student loans that are guaranteed by the government have been made le  
expensive and easier to repay. There are hundreds of thousands of more  
Grant scholarships, 300,000 more work-study slots. AmeriCorps has all

100,000 young people to earn money for college while serving in their  
community.

There are now tax-free IRA accounts for college education. Last year w  
enacted  
the HOPE Scholarship, which is a \$1,500 tax credit for the first two yea  
college. And then there's a lifetime learning tax credit for junior and sen  
years for graduate schools and for adults who have to go back for furthe  
training. For the first time in history, while reducing the deficit by 90  
percent, we can honestly say if you're willing to work for it, whatever yo  
circumstances, you can go on to college in the United States, and that is  
very  
important achievement.

Now, all of these things have worked together to give us the strongest  
economy  
in a generation -- almost 15 million new jobs, the lowest unemployment  
in 24  
years, the lowest inflation rate in 30 years, the highest homeownership i  
history, average incomes rising again. I've submitted to Congress for 19  
the  
first balanced budget in 30 years. All that is a remarkable achievement.  
as I said, we have to be thinking about the future. And all of you know t  
greater or lesser degree of specificity, every one of you know that the So  
Security system is not sound for the long-term, so that all of these  
achievements  
-- the economic achievements, our increasing social coherence and cohe  
our  
increasing efforts to reduce poverty among our youngest children -- all

them  
are threatened by the looming fiscal crisis in Social Security.

Today I want to talk about what it is and how we propose to deal with it  
as the Vice President said, we should use the economic good times. The  
saying that you don't wait for a rainy day to fix the roof is good for us to  
it's very sunny outside. And on this sunny day, we should deal with Soc  
Security.

In very specific terms, we've got a great opportunity because it is projec  
that we stay with the present budget plan, that taking account of the fact  
we won't always have the greatest economic times as we've had now -- 1  
will  
be times when the economy will grow faster, times when it will grow sl  
we  
may recessions -- but structurally, we have eliminated the deficit, so tha  
over  
time we should have a balanced budget, and over time, most times we sh  
be  
running a surplus now if we stay with the discipline we have now over t  
next  
couple of decades.

Now, if that's so, it is now estimated that with normal ups and downs in  
economic growth, over the next 10 years, after 30 years of deficits, that  
United States will have a budget surplus in somewhere in the range of a  
trillion  
dollars in the aggregate over the next 10 years. I have said before we sp

penny of that on new programs or tax cuts, we should save Social Secur  
first.

I think it should be the driving principle of this year's work in the Unite  
States Congress -- do not have a tax cut, do not have a spending progr

deals with that surplus -- save Social Security first.

That is our obligation to you and, frankly, to ourselves. And let me expl  
that. This fiscal crisis in Social Security affects every generation. We ne  
know that the Social Security trust fund is fine for another few decades.  
if

it gets in trouble and we don't deal with it, then it not only affects the  
generation of the baby boomers and whether they'll have enough to live  
when

they retire, it raises the question of whether they will have enough to liv  
by unfairly burdening their children and, therefore, unfairly burdening th  
children's ability to raise their grandchildren. That would be unconscion  
especially since, if you move now, we can do less and have a bigger imp  
especially since we now have the budget surplus.

Let me back up just a minute, mostly for the benefit of the young people the audience, to talk a little bit about the importance of this effort. It's hard for even people in my generation to understand this, much less yours. B early in this century, to be old meant to be poor. To be old meant to be poor. A vast majority of people over 65 in America early in this century were living in poverty. Their reward for a lifetime of work, for doing right by their children, for helping with their grandchildren, unless their kids could take care of them, was living in poverty.

If you ever have a chance you ought to read some of the books that have thousands of letters that older people sent to President Roosevelt, begging him, in the words of one typical letter writer, to eliminate -- and I quote -- "the stark terror of penniless, helpless old age." That's what prompted President Roosevelt to launch the Social Security system in 1935, to create what he called the cornerstone of a civilized society.

Now, for more than half a century Social Security has been a dramatic success.

If you just look at the first chart over here on the right, you will see that 1959 -- I don't see as well as I once did -- (laughter) -- the poverty rate among seniors was still 35 percent. As recently as 1959, still over a third of seniors lived in poverty. By 1979, it had dropped to 15.2 percent. By 1996, it had dropped to 10.8 percent.

To give you an idea of the profound success of the program over the last years -- as you know, there have been increasing number of children being raised in single-parent households, where the incomes are not so high -- the child poverty rate in America is almost twice that. But no one can begrudge that. So the first thing we need to say is, Social Security has succeeded in ending the stark terror of a penniless old age. And that is a terrific achievement for American society.

Now, it's also known, however, that the changes that are underway today place great stresses on the Social Security safety net. The baby boomers are getting grey. When my generation retires -- and I'm the oldest of the baby boomers; I was born in 1946, I'm 51 -- and the generation is normally handled by the run for the 18 years after that, that's normally what people mean when they talk about the baby boomers -- it will dramatically change the ratio of workers

earners, aggravated by increasing early retirements and other things, off by gradual increase in the Social Security retirement age enacted back in 1983. So if you look at that, that's the second chart here.

In 1960, there were 5.1 Americans working for every one person drawing Social Security. In 1997, there's still 3.3 people working for every one person drawing Social Security. In 2030, the year after the Social Security trust fund supposedly will go broke unless we change something, at present projected retirement rates -- that is, the presently projected retirement age and salary rates -- there will be two people working for every one person drawing Social Security.

Now, if you look at that plus the present investment patterns of the fund which are designed to secure 100 percent security and, therefore, get a somewhat lower return in return for 100 percent security for the investments, that's what will cause the problem. So if you look at the presently projected retirement and the presently projected returns, that will cause the problem.

It's very important you understand this. Once you understand this, you realize this is not an episode from the X Files, and you're not more likely to see UFO if you do certain specific things. On the other hand, if you don't do anything one of two things will happen -- either it will go broke and you won't even get it; or if we wait too long to fix it, the burden on society of taking care of generation's Social Security obligations will lower your income and lower your ability to take care of your children to a degree most of us who are your parents think would be horribly wrong and unfair to you and unfair to the future prospects of the United States.

So what's the bottom line? You can see it. Today, we're actually taking in a lot more money from Social Security taxes enacted in 1983 than we're spending out. Because we've run deficits, none of that money has been saved for Social Security. Now, if you look at this little chart here, from 1999 forward we will be able to save that money -- or a lot of it, anyway. We'll be able to save a lot of it that will go into pure surplus in the budget. It can be invested. But

other things will have to be done, as well. That will not be enough.

And if nothing is done by 2029, there will be a deficit in the Social Security trust fund, which will either require -- if you just wait until then -- a huge tax increase in the payroll tax, or just about a 25 percent cut in Social Security benefits. And let me say today, Social Security -- I want to put in, too, because I want you all to start thinking about this -- Social Security was conceived as giving a floor for life. It is not enough to sustain the standard of living of almost any retiree retiring today.

So you also will have to make provisions for your own retirement savings; and you should start early when you go out and go to work, with a 401(k) plan whatever. But this is what is going to happen unless we change. If we change now we can make a big difference.

I should also point out that Social Security also goes to the spouses of people when their widowed. Social Security also goes to the disabled. There's a Social Security disability program. Cassandra Wilkins, who's here with us, who's Vice President recognized, ran the Social Security disability program for me when I was governor. It's a very important program. But all of these things should be seen in terms of these economic realities.

Now, again I say, if we act soon, less is more. If we can develop a consensus as a country to act soon we can take relatively modest steps in any number

of directions to run this 2029 number well out into the future in ways that will keep Social Security's role in providing some retirement security to people without unfairly burdening your generation and your ability to raise your children to do that. And I can tell you, I have had countless talks with baby boomers of all income groups and I haven't found a single person in my generation who is not absolutely determined to fix this in a way that does not unfairly burden your generation. But we have to start now.

We have to join together and face the facts. We have to rise above partisanship, just the way we did when we forced the historic balanced budget agreement. This is -- as you can well see, this is reducible to stark mathematical terms. This need not become a partisan debate. Oh, there will be a debate, a good debate on what the best way to invest the funds are. There

ought to be a good debate on what the best trade-offs are between the changes that will have to be made. But it ought to be done with a view toward making America stronger and, again, preserving the ties that bind us across the generations.

I have asked the America Association of Retired Persons, the AARP, a leading voice for older Americans, and the Concord Coalition, a leading voice for fiscal discipline, to organize a series of four nonpartisan regional forums this year. The Vice President and I will participate. I hope the Republican and Democratic leadership will also participate. I was encouraged that Speaker Gingrich the other day that he felt we should save the surplus until we had fixed the Social Security first.

The first forum, which will set out before the American people the full nature of the problem -- essentially, what I'm doing with you today with a few details -- will be in Kansas City on April 7th. Then in subsequent ones you will hear from a variety of experts and average citizens across all ages. It is very important to me that this debate involve young people -- very important because you have a huge stake in it and you need to imagine where you will be a what kind of investment patterns you think are fair for you and how you think it is going to play out over the next 20, 30, 40 years. We want people of all ages involved in this.

This national call also will spread to every corner of the country, to every member of Congress. There are other private groups which have to play a role. The Pew Charitable Trust has launched a vital public information campaign -- Americans Discuss Social Security. On March 21st, I will help kick off the first of many of their town hall meetings and teleconferences.

Now, when we go out across the country and share the information and people's ideas -- then, at the end of the year in December, I will convene a historic White House Conference on Social Security. And then, in a year, I will call together the Republican and Democratic leaders of the House and Senate to begin drafting comprehensive, bipartisan landmark legislation to save the

Social  
Security system.

This national effort will require the best of our people -- and I think it will get the best of our people. It will ask us to plan for the future. It will ask us to be open to new ideas, not to be hide bound and believe that we can see the future through the prism of the past. But it will ask us to hold on to the core values that lifted our senior citizen from the burden of abject poverty to the dignity of a deserved good, solid old age.

Keep in mind, most of you who are sitting out here can look forward to living your life expectancy well into your 80s. Most of you, by the time you get to be my age, if you live to be my age, your life expectancy will probably be by then 90 more.

We're going to have to rethink this whole thing. But we have to do it with a view towards preserving the principles and the integrity of our society, binding us together across the generations and across the income divides.

We can do this. President Roosevelt often called us to the spirit of bold, persistent experimentation. We will have to do that. But he also reminds us that our greatest challenges we can only meet as one nation. And we must remember that. With our increasing diversity, and the way we work and live, and our racial and ethnic and other backgrounds -- religious backgrounds -- we still have to be, when it comes to treating people with dignity and fulfilling our obligations to one another, one nation.

Acting today for the future is in some ways the oldest of American traditions.

It's what Thomas Jefferson did when he purchased the Louisiana Territory and sent

Lewis and Clark on their famous expedition. It's what Abraham Lincoln did when

at the height of the Civil War, he and the Congress took the time to establish a

system of land grant colleges, which revolutionized the future of America. It's

what we Americans did when, in the depths of the Depression, when people were

only concerned about the moment, and 25 percent of the American people were out

of work, our Congress and our President still took the time to establish a

Social Security system, that could only take flower and have full impact long after they

MR. TOIV: Good afternoon, everybody. We are going to start off today a briefing by Gene Sperling on the President's Social Security initiative. V sort of done this once, but nobody was able to pay attention to it, and so we're going to do it again. So Gene ought to be helpful to you on that.

Q Is there anything you think we don't know about it already?

MR. TOIV: Yes.

Q What?

MR. TOIV: Well, Gene is going to let you know that. And after Gene goes we're going to have our three-headed monster sort of brief you in place of Mike who, as you all know, is in the Northeast today. And what we're going to try and do is Ann, of course, will brief on foreign policy stuff; Joe will brief on some of the matters that he's been handling lately; and I'll sort of clean up the rest. And so we'll try to do the briefing in such a way that we don't keep walking back and forth here. We won't hold you all to that, but let's try and do it in some sort of order that way.

And let's start with Gene.

MR. SPERLING: Helen, thanks for the rousing reception, enthusiasm.

Q There are a few other things on the plate.

MR. SPERLING: Not that are important to more people's lives than Social Security.

Q I grant you that.

MR. SPERLING: Thank you. The President in his State of the Union, essentially announced a three-part announcement which was, number one, that all of the future surpluses should be reserved until there was a comprehensive Social Security solution, until we know how much of those surpluses might be needed to be part of that Social Security long-term solution; that secondly, that the following months should be a period in which we elevate the Social Security challenge; and that,

number three, that we have a strong commitment to actually getting legislation done, starting in January of '99.

Today was a kickoff for that second part, the elevating the Social Security challenge, and doing so through education, through creating public and political pressure for action, and through a careful effort to try to keep this debate balanced and bipartisan during this time period, so there truly is the capability for the type of bipartisan atmosphere next year that will allow us to have chance of getting Social Security reform completed.

The President at that day -- or in our briefings announced that in an effort to make sure elevating the Social Security challenge was balanced and fair had asked the Concord Coalition -- which is, as many of you know, started initially by Paul Tsongas and Warren Rudman and Pete Peterson, and now also includes Sam Nunn and Tim Penny as leaders and has been a main force for fiscal discipline -- would be one of the co-sponsors as well as the AARP.

Today we announced that the first of those would be on April 7th in Kansas City.

The President also announced that he would kickoff the Pew Foundation effort

-- their calling Americans to discuss Social Security. They are spending

than \$10 million on an effort to elevate this. And March 21st is a 10-city interactive teleconference in 10 cities. And the President will go there and kick that off.

Q The President didn't say whether he would go to Kansas City.

MR. SPERLING: He will. The President will attend the first forum in Kansas

City. And we are doing outreach and hope that members of the Republican leadership and the Democratic leadership would also attend. The Speaker

called for similar types of forums and has spoken supportively of the notion of

saving Social Security first, or using the surplus first to see how much -- saving it to see how much is needed for Social Security. But we have talked with

many people and we're hoping to have a very significant turnout, or at least support and participation for.

Q Where is he going March 21st to kick off the Pew thing?

MR. SPERLING: It would actually be -- he'd be doing that from satellite from here, which is where the linkage is for the 10 cities.

Today, the President also went through a few of the main issues. I think today, in my memory, was the first time a President of the United States gave a speech where he laid out in detail a coming entitlement challenge

Social Security, and laid out very specifically what the nature of the challenge

is. I think that is significant and I think, obviously, in speaking to a college campus, trying to send the message that this is not about simply the normal politics of entitlements that we have seen often over the last decade, but about

a real effort at generational equity, at fixing this problem in a way that supports the retirement security of people in the future, but does so in a preventative way so that it's not dealt with in a crisis at a later time in which it may require significant burdens on people trying to both raise their children

and support the Social Security system at a later point.

Let me just quickly note the things that he mentioned. Social Security in 1959,

one of the charts he had, was at -- I'm sorry -- in 1959, the poverty rate for elderly Americans in our country was at 35.2 percent. That was largely because

Social Security had not really spread to the public in a general way. Not enough

people were fully -- had fully worked enough to get the benefits, nor had had

the disability protections that we have now. So from 1955, when there were 7.5

million people in Social Security, to 25 million in 1970, there are now 40 million, including 7 million who get help from the disability part of Social Security.

That was one of the charts that the President showed, and that explains why the

poverty rate for elderly Americans has gone from 35.2 percent to 15.2 percent in

1979. It was 12.9 percent in 1992, and is now at 10.8 percent.

Let me mention something I don't know if the President did mention, but I think

it shows the power of Social Security. The elderly poverty rate is 10.8 percent.

If you were to simply subtract Social Security the elderly poverty rate would jump to 48 percent. So, but for Social Security, the poverty rate of elderly

Americans would jump from 10.8 percent to 48 percent, which shows I very powerfully its significance.

The President also talked about the fact that essentially that is because Social Security is a commitment of people working today to ensure retirement those retiring now -- on the commitment that the future work force will do the same. And the problem that we have that he tried to show quite graphically on chart is that while in 1960 there were 5.1 percent workers for every person retiring, that has now gone to 3.3 people working per retiree. And by the year 20 there will be only 2 workers for every person retiring. And that is very much the heart of the problem and the reason that there is a need to fix that now.

The other chart that the President showed showed that the Social Security becomes insolvent in 2029. Essentially the problem comes even quicker in 2012 in which the receipts coming into the Treasury are less than the benefits -- are not enough to cover the benefits going out. Because there is still income coming into the Social Security trust fund, the Social Security trust fund continues to improve to 2019. At that point, the receipts coming in plus interest are not enough to cover the benefits going out to Social Security recipients. So that at that point in 2019, the Social Security trust fund becomes depleted; until 2029 it is not able to pay a benefits or would have pay out over that period only 75 percent of benefits.

And so this is a serious matter and it is a serious issue to try and elevate this debate in a way that we can do this in 1999. Some of the biggest threats to Social Security reform will be the temptation of elected officials to kick can down the road, that no matter what we do, that they will feel that this problem that can be dealt with later and that every Congress will kick the can down the road another year, another two years, until rather than prevent crisis, we have a crisis.

And if you look at what we have done by making a national effort to elevate the challenge, by saying that none of the surplus can be used for other funds sources or priorities until Social Security is dealt with. We are very, I think carefully trying to put pressure on our political system to try to deal with this issue over the next two years. And the President's speech today will be the

first of many efforts by this administration to push out that message.

Q How much support do you have from the Republicans, in addition to Gingrich?

MR. SPERLING: Well, I think, as the Post article and others have show think that the President's announcement at the State of the Union on saving Social Security first has fundamentally changed the political debate. I think if you look just in the prior weeks, you had a prominent Republican calling for using \$200 billion of the surplus for tax cuts. You have, I think several people the Democratic Party as well looking at options, I think, for using the surplus for either tax cuts or spending programs. You have both Democrats and Republicans looking at the surplus as a way of solving highway needs. I think with the President's simple declaration that none of the surplus should be used until we have fixed Social Security, I feel that the debate has very much shifted and, in fact, most of the debate now has been more on what would happen with a hypothetical tobacco legislation.

And I do think one should not underestimate that prior to the State of the Union we were seeing almost the beginning of a feeding frenzy on how the surplus would be used for various different priorities, and that because of the President's declaration we now have close to a consensus that our surplus should be saved until we fix Social Security.

Q Gene, the President was saying today what's wrong with Social Security talking about the problems. When will he offer his ideas about what a solution to this problem is? A lot of people think he's got a lot of political capital now, maybe he should spend some of that by standing up and offering a

MR. SPERLING: Well, the President asked us to think through how he actually pass Social Security reform. I think that -- certainly, I think our economic team would be capable of coming up with a decent plan that I could support.

But the question is will it lead to Social Security reform, or what best will increase the prospect of Social Security reform? It is our opinion -- and maybe

right or wrong -- but it is our opinion that creating an atmosphere where there could be a bipartisan centrist solution to Social Security is the best hope that happening. And it is our concern and the concern of many, many of

and I would ask you to ask other people who care about Social Security reform about this -- but it is their and our concern that were the President or one of the major leaders to come out with a specific detailed plan prior to the election, that it carries with it the risk that that would become a source of political gunfire prior to the election and that that could actually reduce rather than increase the prospects of Social Security reform.

If our calculation on that were to change at some point, that would change our view. But right now I think the best thing we could do is use this year to have the kind of atmosphere we had in '97 in the balanced budget agreement, where we I think helped create an atmosphere where we could get together and come up with a bipartisan plan that might be harder for any person to do alone

And I'd just say we had \$400 billion of Medicare savings over 10 years. I don't believe that if either the Democrats or Republicans had made that their platform in '97, that that would have happened. I think what happened is that we were able to work together and come up with that at one time in a way that that was a significant buy-off.

Q You said that in the past you used the budget surpluses to pay down the national debt while you were waiting for a solution on Social Security. If you use it to pay down the national debt, how do you then retrieve the surplus if you decide you need them to shore up Social Security?

MR. SPERLING: I'm glad that you asked that because there's been a lot of confusion maybe on that. Partly that's because this topic of the trust fund is certainly a complex one. But let me try to be clear.

Our position was that nobody should pass legislation that drains the surplus. No one pass legislation that drains or spends the surplus until we know how much of the surplus is needed for a comprehensive Social Security plan. Under our planning, under our prospects, we see that -- we don't see a surplus in any significant form happening during the time period we are trying to get that done.

So, in other words, our budget -- our hope is to have Social Security reform by the end of fiscal year '99. So it is our -- we are trying to get this done on timetable in which we do not believe -- or we do not project that a surplus would have accumulated much at that time.

Now, the question is what if, in this time period, prior to the end of fiscal year '99 when we're trying to get Social Security reform, you're asking what happens if the surplus does emerge. What would happen if there's no legislation is it just buys down the debt. And the question is if there was a decent amount of a surplus is there some mechanism in which you would try to save that keep those savings available for the Social Security trust fund.

I guess my answer is, under our projections we're hoping that will not be necessary. But it is not inconsistent with our view, and if a surplus starts accumulate and people thought that was a reasonable idea, it would certainly be something we would be willing to consider. But the important thing is that under any of these scenarios we shouldn't spend the money. I think if a few bills of that simply goes to paying down the debt while we're solving this problem don't feel that's inconsistent with the President's proposal. But neither do I think it's inconsistent if others down the road see a surplus accumulating while we're still debating Social Security reform and want to come up with some form of legislative device for saving or protecting that.

Q What's your answer to Republican criticism that if the President was very serious about saving Social Security first that money from the tax settlement would be going to Social Security and not to all the various programs that you've delineated in the budget.

MR. SPERLING: I'm sorry, your question was?

Q The question is, Republicans have been critical, saying that if the President was very serious about saving Social Security first that money from the settlement would be devoted to the Social Security trust fund and not to various new programs that you delineated in the budget.

MR SPERLING: We are being consistent since the '92 campaign -- that believe

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that you had to have an economic strategy that increased both public investment and private investment. You increased private investment by reducing the debt, increasing more savings and, therefore, lower interest rates that spur private sector investment.

We've also always at the same time argued that you need more public investment in areas like education and training. And if you could do that in a fiscally responsible way in which you paid for that, that was the right strategy.

the strategy we've had in every single budget. And so what we're saying what the President said at this State of the Union, was that for anybody has new priorities -- him or anyone else -- they should continue to do it under that discipline. And that discipline being that the discipline of the budget rule the pay as you go budget rules -- that if you're going to spend a dollar, you paid for that dollar somewhere else. That's the discipline what we're living in.

What we can have now is a separate question of additional money coming -- not money that somebody got from a budget cut or new revenue increase, but money coming in because the strategy has been working and because we've had a stronger economy. And what we wanted to say there is let's not break our fiscal discipline and essentially treat that as free money that you now break the budget rules and start spending that for everyone's priorities. Let's realize that we still have a major commitment on Social Security and reserve the funds we know how much of that may or may not be required to fix long-term Social Security.

Q Gene, the President made his speech today in front of college students opposed to a traditional Social Security lobby like AARP or something.

counting on the younger people in generating the momentum or something significant momentum over all of this?

MR. SPERLING: I think it's more that he wants to make clear what he wants to say in the speech in the State of the Union when he said whether you're 50, or just starting to put money in Social Security trust fund. I think he wants to make sure that when people hear him talking about Social Security that

don't think that this is just about the temporary battles that people have seen go on back and forth over the last 5-10 years on Medicare, Medicaid, or other issues, but that this is truly about long-term reform and wants to make sure that younger people understand that he -- that this effort is about helping the and that somebody who is 33 today will turn 65 in 2029 and that they should think very deeply about this, and that they should not feel that Social Security is as likely to occur for them as seeing a UFO.

So I think he very much wants to make sure -- and I think he said this to -- that his message is an intergenerational message and that he speaks to both the young people, to baby boomers, and to older people. And I thought he spoke eloquently today about the fact that people his age who are looking at their retirement want to make sure Social Security is there for them, but not in a way that would make their children face such high tax burdens in the future that it would be hard for them to support their own children.

So I think you'll see a conscious effort to have a Social Security fix that is fair in terms of generational equity, and that as his message goes out, he is making sure that he's trying to talk to different age groups and give them very much the same message as to why we should all care about this kind of intergenerational justice.

Q Gene, it's not clear to me why you think the -- or why the President thinks the American people need a year to understand what the problem is with Social Security. What is it you're trying to prepare the American people for during this year? Why not just call in the congressional leaders now and start working on this and not wait a year?

MR. SPERLING: Look, you have to make your best judgment. I consulted personally consulted with virtually every major group on this issue, and I think that they felt -- the people surveying this, spending a lot of money, people that I thought had good political judgment -- that if you went into an issue like this and you tried to go forward immediately with reform before the American people had fully understood the nature of the problem, before they had a chance to look at that, that if you rushed into that in the middle of a political year, that

this could too easily become a subject for political cross-fire and that we would end up setting the clock back.

So I understand that anytime you go out and you make a bold, specific proposal on any area you get nice feedback for a day or a week, but that wasn't the question. The question is how can we actually get long-term Social Security reform. And it is our judgment that trying to elevate this debate and trying to keep it bipartisan and trying to create an imperative for action and trying to keep that atmosphere during the period prior to the election creates the possibility that after the election there could be a chance for bipartisan a long-term Social Security reform.

Certainly if a situation created itself earlier, if people came together we certainly would not be opposed to that. We're simply making our best judgment as to what the best chances for getting that done. And I can say that it is a judgment shared by groups across the political spectrum.

Q Gene, did you have any misgivings about doing these regional forums under the imprimatur of the AARP? In the past they've been the ones vigorously opposed to entitlement reform. And although they say this time they're willing to entertain the idea, it may be that they're going to be opposed to the more aggressive attempts at reform that may be necessary.

MR. SPERLING: Well, the thing you need to understand is that it's being done jointly under the AARP and the Concord Coalition. So it is being done jointly under them. And what we were trying to do is to have two organizations I think are familiar to all of you that would be responsible for ensuring that there is a sense of balance there.

So instead of one political party or the other putting on one of these forums in which either people would be suspect that it was being tilted towards a particular agenda or that it was too difficult to confront any of the serious issues because it would be seen as being read as indicating a position for or against an issue -- that if you put this in the hands of two groups that together people would view as balanced, that it would give people on both sides of the aisle and of different views the confidence that these would be balanced and fair and someplace they could go talk to.

You know, I should say that we will be working with many other groups: the National Council of Aging, the Older Women's League, the National Council on Aging, the National Committee to Preserve Social Security and Medicare, with Martha McSteen and Max Richtman -- and certainly other groups that have focused more from the deficit reduction side like CSIS, which has been holding forums on this issue.

But no, I think that having two groups that are seen to people as representing different perspectives and who are committed to trying to make sure that they are balanced, I think that works. Certainly, we've gotten criticism from people who don't like the AARP and people who don't like the Concord Coalition. But our argument is together they're an insurance policy that this will most likely be as balanced and fair as anything that you've probably seen recently in terms of a forum that you'd see the President or possibly Republican leaders go to.

Q Can we do this one last question? Gingrich last week asked the administration for specific legislative language on how to handle the reserve. You seem to be saying today that, you know, people can suggest that themselves if they want that, you're not going to do it. Why would you not back up your own proposal with legislation?

MR. SPERLING: There's two questions -- let me just say -- there's two issues on the surplus. One is if you have long-term Social Security reform, and the surplus was going to be used as part of that reform -- so, in other words, you had a comprehensive Social Security solution and part of the solution was using the surplus, how would the surplus be used. On that, you've already heard from several different people in the political spectrum, different ideas. I don't think there's any shortage of ideas on how the surplus could be used.

Some have suggested that bonds could be -- federal debt, rather than being retired, could be transferred to the Social Security trust fund to help

## Exchange Mail

DATE-TIME 2/26/98 6:19:52 PM  
FROM Wozniak, Natalie S.  
CLASSIFICATION UNCLASSIFIED  
SUBJECT RBTP at DCCC Dinner (in San Francisco, CA) [UNCLASSIFIED]  
TO Crowley, Philip J.  
Dehqanzada, Yahya A.  
Luzzatto, Anne R.  
Rubin, Eric S.  
Wozniak, Natalie S.  
Benjamin, Daniel  
Blinken, Antony J.  
Gobush, Matthew N.  
Gray, Wendy E.  
Halperin, David E.  
LaFleur, Vinca S.  
Leavy, David C.  
Naplan, Steven J.  
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Remarks by the President  
RBTP at DCCC Dinner (in San Francisco,  
CA)

TRANSLATED\_ATTACHMENT

dccc dinner 0225.doc  
THE WHITE HOUSE

Office of the Press Secretary  
(San Francisco, California)

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For Immediate Release February 25, 1998

REMARKS BY THE PRESIDENT  
AT DCCC DINNER

Private Residence  
San Francisco, California

10:20 P.M. (PST)

THE PRESIDENT: Thank you. You know, that was a better speech than one I was going to give. (Laughter.) Thank you, Bill. Thank you, Sally. I am delighted to be here -- it's a beautiful, beautiful place. It's been a great dinner, interesting people. Thank all of you for being here and supporting these fine candidates.

Thank you, Congressman Miller, and thank you, Nancy Pelosi, for being here and for your leadership. I told some people -- we were just at a larger reception over at the Fairmont, and I told the people there that the thing I really liked about Nancy Pelosi was she'd been in Washington a long time and she hadn't managed to become cynical. She's still full of energy and passion and conviction. And we need more of that there.

I want to thank Mike and Lois for running for Congress. (Applause.) They are prepared to make a not insignificant sacrifice in the quality of their life there and serve you. And they will serve us well.

Thank you, Mr. Mayor, for coming here, and thank you for going on Politically Incorrect and sticking up for me tonight. (Laughter.) It's truly strange that that would be politically incorrect to do, but that's all right. (Laughter.)

I have a lot of friends here, but I want to say I'm especially glad to see Ed and Lee Perry. Bill Perry is one of the finest public servants that has served the United States in my lifetime, one of the greatest Secretaries of Defense we ever had and I thank him for being here. (Applause.)

I'd also like to thank all of you in this room who have helped me and Hillary and Al and Tipper in our wonderful journey these last several years; and the people of California, and the people of this community, in particular, have been very, very good to us and I'm profoundly grateful. And to those of you who've helped us, especially on the technology issues over the last five years, I thank you, too.

I was trying to think of what I ought to say tonight that you haven't already heard. One thing I thought, when Bill talked about what a meritocracy Silicon Valley was, and it didn't matter where you came from as long as you could

program  
a computer -- you know, you could become a partner. I thought, my God  
had  
made my career there I'd be starving now. (Laughter.) Never has one so  
technologically challenged tried so hard to do so much for high technolo  
in  
America.

Our country is in good shape tonight and I'm very grateful for that. Whe  
you  
made that crack about how could you still be a Republican, I used to kic  
Dole  
about every time the stock market would go up another 100 points I'd sa  
here I  
am working to get you more money for your campaign. (Laughter.) It w  
against  
my self-interest, but I did it anyway. It was good for the country.

The country is in good shape. I hope that doesn't mean that we are feelir  
complacent or that we're going to take our eye off the ball and become r  
small  
minded when we ought to become more large minded and more visiona  
And that's  
basically what I was trying to say in the State of the Union. And I feel --  
glad that my fellow Democrats can go into this election cycle and say w  
proved  
that you could reduce the size of government and balance the budget an  
invest more in education and health care and the environment.

We proved that you could have a partnership with business and still be  
compassionate toward working people. We proved that you could be for  
creating  
more jobs and still for giving people the support they need to succeed w  
their  
families at home -- with child care and things like that. I'm glad we can  
that. Or we can just reel the numbers off and say we've got the lowest  
unemployment rate in 24 years, the lowest crime rate in 24 years, the lo  
smallest welfare rolls in 27 years, the lowest inflation in 30 years, the hi  
homeownership in history.

But all that means is that more people have good life stories to tell. And  
yet, if we think about the dynamism of this time -- it's not true that the  
society is changing as fast or as profoundly as the Internet is growing, fo  
example. But it's changing about as fast or as profoundly as a human  
organism  
can change. And, therefore, we need to be thinking always about the fut  
and  
what we're doing to prepare for this new century we're about to enter. A

just like to mention three or four things tonight that I think are terribly important.

First of all, it's important to keep the economy growing. It may be that technology with good economic conditions will permit a higher level of growth for a longer period of time at lower levels of inflation than previously we had thought. That may be true. It will only be true if we are responsible. And

of the things that to me has been most gratifying has been the public response to my insistence that we not start spending the surplus before it materialize. We've had a deficit for 30 years and, you know, as soon as the new year came around everybody had great ideas for how to spend the projected surplus.

Now, I do believe we have eliminated the structural deficit and I believe we'll get a balanced budget this year -- if not this year, certainly next year. And then it's projected that we'll have surpluses for several years thereafter, more than a decade. And I hope that happens. And because there's no structural deficit in the budget -- that is, even if the economy slows down, and you know when the economy slows down you get less tax money and you have to make more out because there are more people unemployed -- but over time, if there's no structural deficit we'll still have a balanced budget to a large surplus, depending on how much growing.

There are a lot of people who want to start spending that right now in tax cuts or spending programs, and we should do neither. We certainly shouldn't do it, A, until it materializes -- the bird is not in hand yet. And, B, we should not do it until we have dealt with the long-term financial problems with the Social Security system. We have some significant decisions to make. And I think it's very important. (Applause.)

Now, what my goal is, is to spend this year having a non-partisan national process by which we discuss all the alternatives that are out there available and then early next year we pass legislation which will basically take care of the long-term stability of the system. Simultaneously, no matter what option we choose, by 2029 when the present trust fund is expected to run out of money and start costing more money than the people are paying in every year in taxes we will have to do some significant things. But no matter what we do, not n

and  
not then will Social Security be enough for most Americans -- the vast,  
majority of Americans -- to maintain the standard of living they enjoy o  
they  
retire. Therefore, we also have to find ways for people to save more and  
prepare more for their own retirement. So we're going to be looking at a  
of  
interesting ideas in the Social Security system. And I hope all of you wi  
enter that debate.

But as I said in the State of the Union address, it's literally true, there wa  
a public opinion survey done last year which showed that most people u  
25  
thought it was more likely that they would see a UFO than that they wou  
ever  
draw a penny of Social Security. I don't want to discourage young peopl  
from  
watching the X-Files -- (laughter) -- but I think we have to somehow rev  
that  
perception. So that's the first thing I want to say.

And, by the way, we have a simultaneous effort going on now with  
Medicare. We  
have more than a decade of life on the Medicare trust fund. But, again, t  
pure  
demographics of the baby boom retirements and the fact that we're livin  
longer  
and accessing more high tech medicine mean that we're going to have to  
make some  
changes in Medicare if we expect it to sustain itself well into the next  
century.

It is well not to underestimate the good these programs have done. In 19  
for  
the first time in the history of our country, the poverty rate among peopl  
over  
65 was lower than the poverty rate of people under 65. When Social Sec  
was  
inaugurated, over 70 percent of the American people over 65 were living  
poverty. Many of them were living in abject poverty. This is a terrific  
achievement for our country. And while I have emphasized putting mor  
emphasis  
on the children in this country in poverty and more on their health care,  
education, their nutrition, their well being, we do not want to give up thi  
signal achievement that is really a mark of a decent society. And, yet, in  
order  
to avoid it we're going to have to plan for it and deal with the fact that n  
generation, the baby boomers -- and I'm the oldest of them -- when  
everybody from  
my age to 18 years younger crowds into the Social Security system, the

Medicare system, all this is going to change everything substantially.

And we owe it -- and I don't know anybody -- and most of the people I grew up with are middle class people, more than half of them don't have college educations, the people I went to high school with. And I was with a bunch of them not very long ago and we all sat around the table and every one of us is haunted by the idea that when we retire we would have to impose an unwarranted financial burden on our children and on their ability to raise our grandchildren in order to take care of us. Nobody wants that. And we have an opportunity now, by acting now, to make relatively modest steps that will have relatively small impacts in the years to come if we do it. So that's the first and very important thing I want to say.

The second point I'd like to make is that we have a lot of work to do in this country on education. And many of you have helped us in our goal of hooking up every classroom and library to the Internet by the year 2000. We're making good progress on that. But consider the anomaly in the United States -- one of the things that I could just feel during the State of the Union resonating with people at home was when I went through all the things we'd done to increase aid to people who go on to college. Basically, now most Americans qualify for a \$1,500 tax credit, tax reduction for the first two years of college and a tax credit for junior and senior year in graduate school. And there are more Pell Grant scholarships at higher income levels. There are education IRAs, you can deduct the interest on the student loan. The people that are in our direct program can get cheaper college loans with better repayment terms. There are 300,000 more work study slots out there.

It's literally true today that if you're willing to work for it, you can go to college. And community college is virtually free now. For people who go to community colleges, that \$1,500 tax deduction covers all the tuition for about 80 percent of the community colleges in the country. And there's a great sense of achievement there. Why? Because people know it really means something to have higher education in America. And they know we have the best system of higher education in the world.

No one believes we have the best system of elementary and secondary education in the world. We just got the results of the Third International Math and Science Survey, which is given to several thousand -- I think about 20,000 -- but representative sample of our high school seniors. And of 21 countries we scored 19th. Now, in the 8th grade we're in the middle; in the 4th grade we're not the top now -- we tied for second in the 4th grade test.

What happens? There are lots of reasons for what happens. But we've been trying to unpack that. But I do not believe it is any longer acceptable to well, what do you expect, because we have so many poor kids, 20 percent of our kids are in poverty and we have so many minority kids and all that. That is all a bunch of bull. This is not rocket science. I mean, Sally just introduced us that magnificent young woman who's a student at Stanford. I believe all can learn. I believe 90 percent-plus of us can learn 100 percent of what we're to know to make a society go, otherwise democracies would all fail. And it would have happened long ago.

I have supported the charter school movement and school choice and a lot of other things. But we have got to have also more standards and more emphasis on teaching and a lot of other reforms in the schools. We've got a big program out there now to lower class sizes and do a number of other things in this session of Congress. But I intend to spend a huge amount of effort in the next three years to do what I spent the 20 years before I became President working on in public life, and that is trying to give us the best elementary and secondary system in the world. Because we're kidding ourselves if we think we can really build a truly meritocratic society if a bunch of people are stunted coming out of the blocks.

The next issue I'd like to mention that I think has great relevance to the future is the environment. This year the two major -- I'm very proud of them -- didn't mention this before, but compared to five years ago the air is cleaner, the water is cleaner, there are fewer toxic waste dumps and the food supply is safer. And we have set aside more land and trust to be saved than any

administration in the history of the country, except the administrations of Theodore and Franklin Roosevelt. And I'm very proud of that. We're working on saving Lake Tahoe now and I'm very proud of that. (Applause.)

But there is still a great deal to be done, and on two issues in particular which will affect the quality of life in California. The first is with regard to clean water. The Clean Water Act, which was passed 25 years ago, was designed to deal with pollution mostly coming out of sewage systems and out of industrial activities -- so-called point source pollution. Bad stuff comes out of a pipe goes in the water, clean it up. Forty percent of our waterways in America still not pure enough to swim and fish in because of non-point pollution things that run off from the land. We have got to do more on that. So we have a major initiative on that, a new clean water initiative.

The other thing that I think is imperative that we get on is -- and you're dealing with it right now with El Nino -- the climate change phenomenon is real and we must do what we can to meet America's responsibility to reduce greenhouse gas emissions. We can do it and still grow the economy. Every time we've had to face a clean air or clean water issues people have said, oh, if you do this it's going to shut the economy down. And every time we've done it, it has given the economy a boost because it's opened up a whole new area of high tech jobs that we didn't have before.

Now, basically, a third of all these CO2 emissions come from transportation, a third come from buildings, homes and office buildings; and a third come from manufacturing plants and electric generators. And the technology is now available, right now, to reduce substantially our greenhouse gas emissions with available technology that pays out in two to three years, with regard to buildings, office buildings, homes, manufacturing facilities and electric generators. And with the new fuel injection engines that are being developed for automobiles with the hybrid electric in fuel and gasoline engines and all the other things that are going on, within two or three years you're going to look at automobiles that have literally one-fourth to one-fifth of greenhouse gas emissions of today's automobiles. This is an imperative thing to do and I hope all of you will support this, because we have a good program going through Congress and I think we'll pass it. But it's important.

The last thing I'd like to say is, Bill talked about research. Hillary gave me the idea of trying to have a part of our program this year be a gift to the millennium that would be part respecting the past and part imagining the future.

The respecting of the past part, we're going to try to restore the Constitution, the Bill of Rights, the Declaration of Independence and the Star-Spangled Banner, and get people in every community in the country to do an inventory of what they have.

For example, there's a place called the Old Soldiers Home in Washington D.C., that was built before the Civil War. And on the Old Soldiers Home there's a cabin which is almost totally dilapidated now, where Abraham Lincoln's family lived every summer -- and other presidents. It wouldn't cost that much to restore it. It's a Washington, D.C. facility. Every single community in the country has places in it that tell the part of America's story and they have to be preserved.

But we also have to recognize that in the years we were running these huge deficits, we wound up under-investing in a lot of things we should have invested more in, principally research. So we've also offered the biggest research budget in the history of the country in this balanced budget. And I hope we can pass it and I hope all of you will help us pass it because it's a big part of our future.

The last thing I'd like to say is this: I have tried very hard to change the political culture of Washington with, you would have to charitably say, mixed results. (Laughter.) I don't even understand it half the time. I realize I'm afflicted by the fact that I had a real life for too long.

But I will say this: I think that the work we're doing in this Race Initiative, the campaign for the employment non-discrimination act, the efforts to bring America together across all the lines that divide us and to have everybody judged based on their merit, and to give everybody a chance, and to build an America that basically is a stunning contrast to the racial and ethnic and religious conflicts that are beleaguering the world -- how much of your time as President -- because my time is really your time -- has been spent in my presidency on the problems of my people in Northern Ireland -- my people -- still arguing over things that happened 600 years ago, or the

continuing torment in the Middle East, or what happened in Bosnia, or t  
to  
save all those children from the horrible fate they were facing in Rwand  
all  
these places. We're supposed to be living in this great modern world, yo  
hook everybody up to an Internet, but if they still have primitive impuls  
then  
they just have modern technology to give greater vent with greater inten  
to  
primitive impulses.

I want us to have a strong economy and I want us to always be on the  
forefront  
of every new thing that happens. But in the end, we have to prove that w  
can be  
one nation together. And I try to end all my talks now by just reminding  
everybody that the people that came here to start this country came here  
because  
they literally deplored the unlimited, arbitrary, abusive exercise of powe  
over  
the lives of citizens. And they had a better idea. They said, we want to b  
free and we want to be free to pursue happiness -- not have it guarantee  
us,  
free to pursue it; and in the process, we will work to form a more perfec  
union.

Now these people you're supporting here and the party we represent -- y  
we've  
modernized the Democratic Party. Thank you, Bill. And, yes, they can't  
all  
those bad things about Democrats they used to say. But if you look at th  
whole  
20th century, if you go right back to Woodrow Wilson forward, our cou  
has  
always been for those things. We've always been for more freedom, mor  
opportunity, and a stronger union. Which means even when we haven't l  
right  
on the issues, we've been on the right side of America's history. And I'm  
proud  
to be here with you, Mike. I'm proud to be here with my good friend, Lc  
And  
I'm proud to be here with a party that I think can lead America to a bette  
place  
in the new century.

Thank you very much. (Applause.)

END

hope.  
Our economy is the strongest in a generation. Many of our social problems are on the mend. Our leadership in the world is unrivalled. Within the next year we will have a balanced budget. And where once there were deficits projected as far as the eye can see, we now have projected surpluses as far as the eye can see -- a trillion dollars' worth over the next decade.

But this sunlit moment is not a time to rest. Instead, it is a rare opportunity to prepare our nation for the challenges and the opportunities of the 21st century -- or in the words of the old saying, to fix the roof while the sun is shining. In the coming century, the aging of our society will present both great challenges and great opportunities. I hope to live to be one of those people and so, to me, it's a high-class problem.

But because a higher percentage of our people will be both older and retired, perhaps our greatest opportunity and our greatest obligation at this moment is to save Social Security. In the State of the Union address, I called on Congress to set aside every penny of any surplus until we had dealt with Social Security first. Both parties in both chambers of Congress have joined in this call. That is the good news.

Today we turn to the business at hand -- building public awareness of the nature and scope of the problem, and building public consensus for the best changes. Clearly, we will strengthen Social Security and reform it only if we reach across lines of party, philosophy, and generation. And that is one reason for the broad representation of age groups in this audience today. We have to have open minds and generous spirits. And we all have to be willing to listen and to learn.

For too long, politicians have called Social Security the "third rail" of American politics. That's Washington language for, it's above serious debate.

This year we must prove them wrong. This conference, with its wide participation, is a good start. On the political calendar, 1998 is an electric

year. But on the Social Security calendar, we must resolve to make it an education year, when we come to grips with the problems of the system and come together to find the answers.

This issues is complicated, so we need the best ideas -- whatever their source.

The issue is controversial, so we have to have a national consensus on both the nature of the problem and the direction we must take.

That's why I've asked all the members of Congress to also host town hall meetings in their own districts. I'll be talking with several of them by satellite later today. And we'll hold more additional forums like this one around the country. In December, there will be a White House Conferer on Social Security. In January, I intend to convene the leaders of Congress draft a plan to save it. With this effort we can forge a national consensus and we must.

For 60 years, Social Security has meant more than an ID number on a tax form, more than even a monthly check in the mail. It reflects our deepest values, the duties we owe to our parents, to each other, to our children and grandchildren, to those who misfortune strikes, to our ideals as one America.

Missouri's native son, Mark Twain, once said, "I've come loaded with statistics, for I've noticed a man can't prove anything without statistics." So I thought we would begin today with a few statistics. Today, as the first chart shows,

million Americans depend upon Social Security, and for two-thirds of our senior citizens it is the main source of income. For 18 percent of our seniors it is the only source of income.

But Social Security is more than just a retirement program. Today you can see that more than one in three of the beneficiaries are not retirees. They are children and spouses of working people who die in their prime. They are men and women who become disabled, or their children.

So Social Security is also a life insurance policy, and a disability policy, well as a rock-solid guarantee of support and old age. That is why we have

to  
act with care as we make needed repairs to the program occasioned by t  
huge  
growth in retirees.

Since its enactment over 60 years ago, Social Security has changed the  
face of  
America. When President Roosevelt signed the bill creating the Social  
Security  
system, most seniors in America were poor. A typical elderly person ser

letter to FDR begging him to eliminate "the stark terror of penniless old  
age."

Since then, the elderly poverty rate has dropped sharply. You can look  
here and  
see that in 1959 the poverty rate was over 35 percent for retirees. In 197  
it  
had dropped to 15.2 percent. In 1996, the poverty rate is down below 11  
percent.

Now, there's something else I want to say about this. Even though most  
seniors  
need other sources of income in addition to Social Security to maintain a  
comfortable lifestyle: if Social Security did not exist, today half of all  
American retirees would be living in poverty -- 60 percent of all women  
Fifteen  
million American seniors have been lifted out of poverty through the  
Social  
Security system.

Today the system is sound, but the demographic crisis looming is clear.  
The  
baby boomers -- 76 million of us -- are now looking ahead to their  
retirement.  
And people, clearly, are living longer, so that by 2030, there will be twice  
as  
many elderly as there are today.

All these trends will impose heavy strains on the system. Let's look at the  
next chart here. You can see that in 1960, which wasn't so long ago, there  
were  
over five people working for every person drawing Social Security. In  
1997, last  
year, there were over three people -- 3.3 people -- working for every  
person  
drawing. But by 2030, because of the increasing average age, if present  
birthrates and immigration rates and retirement rates continue, there will  
be  
only two people working for every person drawing Social Security.

Now, here's the bottom line. The Social Security Trust Fund is sufficient to pay all the obligations of Social Security -- both retirement and disability -- until 2029, after which it will no longer cover those obligations. Payroll contributions will only be enough to cover 75 cents on the dollar of current benefits.

If we act now, we can ensure strong retirement benefits for the baby boom generation without placing an undue burden on our children and grandchildren. And we can do it, if we act now, with changes that will be far simpler and easier than if we wait until the problem is closer at hand. For example, a \$100 billion of the budget surplus, if used for Social Security, would add a year or more to the solvency of the Trust Fund with no other changes being made. Other changes, which could be made, can be phased in over time, and keep in mind, small changes decided on now can have huge impacts 30 years from now.

So how should we judge the proposals to change the Social Security system? Here are principles that I believe we should follow, and they're on the next chart here. I believe, first of all, we have to reform Social Security in a way that strengthens and protects a guarantee for the 21st century. We should not abandon a basic program that has been one of the greatest successes in our country's history.

Second, we should maintain universality and fairness. For half a century this has been a progressive guarantee for citizens; we have to keep it that way. It was not until 1985 that the poverty rate among seniors was lower than the poverty rate for the population of America as a whole. It is an astonishing achievement of our society that it is now so much lower, and we should not give it up.

Third, Social Security must provide a benefit that people can count on. Regardless of the ups and downs of the economy or the financial markets we have

to provide a solid and dependable foundation of retirement security.

Fourth, Social Security must continue to provide financial security for disabled and low income beneficiaries. We can never forget the one in three Social Security beneficiaries who are not retirees.

And fifth, anything we do to strengthen Social Security now must maintain our hard-won fiscal discipline. It is the source of much of the prosperity we enjoy today.

Now, these are the principles that will guide me as we work to forge a consensus. I hope they're ones that all of you can also embrace. This national effort will call on the best of our people. It will require us to rise above partisanship. It will require us to plan for the future, to consider new ideas

to engage in what President Roosevelt once called "bold, persistent experimentation." It will remind us that there are some challenges that we can only meet as one nation acting through our national government, just as there are others we can better meet as individuals, families, communities.

This is also a challenge for every generation. To the older Americans here today, let me say, you have nothing to worry about. For you Social Security is as strong as ever. To the younger people here today who may believe that you will never see a Social Security check -- indeed, I saw a poll which purported to be serious that said that Americans in their twenties thought it was more likely they would see a U.F.O. than that they would ever draw Social Security. (Laughter.) That skepticism may have been well founded in the past, but just as we put our fiscal house in order, we can and must put Social Security in order.

And above all, to my fellow baby boomers, let me say that none of us wants our own retirement to be a burden to our children and to their efforts to raise our grandchildren. It would be unconscionable if we failed to act, and act not as one nation renewing the ties that bind us across the generations.

Thank you very much. (Applause.)

## Exchange Mail

DATE-TIME 4/9/98 7:31:44 PM  
FROM Wozniak, Natalie S.  
CLASSIFICATION UNCLASSIFIED  
SUBJECT INTERNAL - RBTP at National Newspaper Association Reception  
[UNCLASSIFIED]  
TO Crowley, Philip J.  
Dehqanzada, Yahya A.  
Luzzatto, Anne R.  
Rubin, Eric S.  
Wozniak, Natalie S.  
Gray, Wendy E.

CARBON\_COPY

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int-national newspaper association reception.doc  
THE WHITE HOUSE

Office of the Press Secretary

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Internal Transcript March 20, 1998

REMARKS BY THE PRESIDENT  
AT NATIONAL NEWSPAPER ASSOCIATION RECEPTION

The East Room

6:30 P.M. EST

THE PRESIDENT: Thank you very much, Dalton, and thank you, ladies and gentlemen. Welcome to the White House. I'm glad to see so many of you. I'm glad many of you brought your children. I'm glad Charlotte came. (Laughter) You know, I tried to get Charlotte to run for Congress a couple years ago, she said she had been reading in the newspapers that everybody in Washington was no good, so she just couldn't do it. (Laughter.)

I am delighted to have you here again. And I'm glad you've had a good talk with the Attorney General. I don't know if anyone else from the administration has. But I always am glad when you come because I think you represent the heartbeat of America. And in so many ways, one of the major tasks of my presidency has been to take these historic, sweeping changes that are going on -- literally dramatically changing the way people work and live and relate to each other and the rest of the world -- and to try to ensure they have a positive impact neighborhood by neighborhood, community by community, family by family all across the country.

So in that sense what you do means a very great deal to me. I still read every day the newspaper from the community I lived in before I came to Washington and it's very interesting to see the difference in the front page of the community newspaper and the front page of the political newspapers here. (Laughter.) But to do more with the prism through which you view the world.

It's a good time for America, it's an interesting time for America. But it's quite important that all of us understand, as I said in my State of the Union address, that these are not the kind of good times that should make our country want to sit on its laurels, if you will, or just relax and enjoy the fact that we have the lowest unemployment rate and the lowest crime rate in 24 years, the lowest welfare rolls in 27 years, the lowest inflation in 30 years, the highest homeownership in the history of our country -- almost two-thirds of Americans now live in homes that they own. That's a good thing.

But the world is still changing very, very rapidly. You know the revolution that technology has wrought in your own work. The sheer volume of knowledge is doubling now every five years. I had the Nobel Prize winning head of the National Institute of Health, Dr. Harold Varmus, in here yesterday; the First Lady asked him over. We were talking to him about health development in Africa, getting ready for my trip there, and especially emphasizing our concern about the 21st century one of our security challenges which will affect all of you -- be the greater potential for global spread of disease, because of the flow of food across national borders more and more of us have -- America exports to the rest of the world, and more and more people export food to us, and that we're traveling more.

There's actually a phenomenon now known as airport malaria, where people are going

to Europe from different continents meet each other in the airport and m literally gets transmitted. And in Africa it's a particular problem now be of the climate change, aggravated this year by El Nino, we have mosqui bearing malaria at higher and higher altitudes than ever before, exposing and more people and, in turn, a higher percentage of them get on airplar they go to airports where the rest of us bump into them.

I say that to make this point, not to scare you or bother you, but this is a very small planet we inhabit. And yet the fundamental reality of our live the life of our community. And sometimes when you think Washington wacky,

it would help you to understand it if you just thought of Washington as a community town in which the business -- the primary business was poli

oftentimes you would be reading the community newspaper and someti when you

see the television it's almost like -- the national network news -- it some resembles like a community news program. And you just have to take a of

the fact that it's a culture that, thank goodness, is very different from tha any other culture in the country in that sense.

So the trick is, really, for us, how do we preserve the values, the integrit and the success of communities and their important institutions, starting families and building out, and reap all the benefits of these great global changes. That has been the mission of this administration: to try to prep: this country for the 21st century, or, to use my campaign metaphor, to b that bridge to the 21st century.

What we're attempting to do now in this session of Congress and in this calendar

year beyond what happens in Congress, is to lay those foundations with basically

the emphasis on, first of all, building an economy that offers opportunity everyone over the long run. And that starts, in my judgment, with saying we're glad we're going to have the first balanced budget in 30 years -- w get it this year, even though the proposal is for next year. I think if thing stay on track we'll actually have a balanced budget, probably have a surj

year for the first time since 1969.

And there are a lot of people, especially because it's an election year, w have wonderful ideas about what to do with that surplus. My idea is mo: old-fashioned: I don't think we ought to spend a penny of it until we kno we have secured the Social Security system for the onslaught of baby bo retirees. I'm the oldest of the baby boomers, I'm 51, and basically the ba boom generation is the generation born between 1946 and 1964, that 18 period, the largest group of Americans ever, except the kids that are nov school. We've finally got a group bigger than the baby boomers.

And when we all retire, there will only be about two people working for one person drawing Social Security if we continue to retire at present rate. And keep in mind, a lot of people are retiring well before 65 now. Now, it seems

to me that we have to understand that at least our generation, the baby boomers,

most of the people I know and most of the people I grew up with at home are middle class people. About half of them went to college, half of them didn't. They live on modest incomes. They are panicked with the thought that either

the Social Security system won't be there for them, or, if it is there, the price will be so expensive for our children that they won't have the money to

raise our grandchildren. And we don't believe that should happen.

We know that if we make modest changes now to prepare for this, they will have

almost no destructive impact on us when we retire, but they will guarantee our children will be able to enjoy the same sort of opportunities -- hopefully even greater opportunities than we have.

So I cannot overemphasize what I believe is the importance of that. The goal is to have this year, among other things, four big regional, bipartisan, hopefully nonpartisan, meetings and a whole other series of actions which will result by the end of this year, the first of next year, in a proposal that will make the Social Security trust fund viable far beyond the present plan, which is 2001, which coincidentally is the year that all the baby boomers get into -- are over. That will take it out there so that young people -- interestingly enough, a recent poll showed that young people in their 20s thought it was more likely that they would see a UFO than that they would draw Social Security.

(Laughter.)

I like the X-Files, but I don't like that statistic. (Laughter.)

So what we want to do is to run the Social Security trust fund out there, figure out how we're going to do it -- it may or may not take the projected surplus over the next 10 years, it may or may not. And then we can decide what to do. The second thing we've got to do is keep the balanced budget in place. Nothing to do

-- it may vary from year to year. If the economy goes downhill, you know you get less tax dollars and you have to spend more for unemployed people. But structurally we have eliminated the deficit; the built-in big deficit that we had from 1981 forward is now gone. So now if you see a deficit come up, you know

it's just because there's been a dip in the economy -- if we stay with the current pattern of discipline we have now.

That, I think, is very important for our long-term financial health. You can see in the troubles these other countries are having economically what happens if

investors lose confidence in the economy. You can move your money across the ocean in the flash of a computer key. Money is very mobile today. Courts will be rewarded if they have responsible budgetary policies; they will be punished if they do not.

So whether you're a Democrat or a Republican, whether you consider yourself a liberal or a conservative, you should wish your government to operate within a framework of discipline that will, first of all, permit the economy to grow so that over 90 percent of the people are always going to be able to do pretty well by taking care of themselves and working and going forward. So that's the thing I would like to emphasize.

The second thing I think we have to do is to face the fact that not every American has had a chance to participate in this newfound prosperity. There are still whole neighborhoods and communities, principally in our inner cities and in some rural areas, where we don't have the kind of prosperity that Americans enjoy, where the unemployment rate is not low.

You see the unemployment rate that says 4.6 percent. The economists tell us that there are about 3 percent of the people moving around all the time, so you get the unemployment rate under 3 percent you've got a job shortage. You know, there are want ads that -- it's good for you because more people buy ads. (Laughter.)

But let me say, this 4.6 percent is misleading because the unemployment rate in Nebraska and North Dakota is 1.9 percent. In Omaha you can go to work at a fast food place for way above the minimum wage and get guaranteed health benefits, because they have to offer it to get help and because prosperity is such that they can afford to offer it.

I was in Las Vegas where carpenters have fringe benefits worth over \$8 an hour, in the carpenters union. I'm glad. But they have a vibrant economy that is as good as it possible. In Washington, D.C., we've reduced the size of the government so that part of our prosperity is because we've given you a different kind of government.

The government in Washington today is the smallest it's been since John F. Kennedy was President. We've reduced it by 350,000. That's one of the reasons -- the only reason, but one of the reasons the unemployment rate in Washington, D.C., is above 8 percent, and in some neighborhoods even higher.

So we have a very strong strategy, which I hope and pray the Congress adopt this year, to go to a community-based economic development model that put tax incentives for new investment where they ought to be, in the rural and urban areas where we haven't seen recovery, and will put more investment in other kinds in those areas. And I think it's important. I think all Americans who are enjoying this prosperity would like to know that their friends and neighbors in other parts of the country at least have their chance to participate in it.

The last point I'd like to make about that is I think the most important thing we can do is to continue our efforts to preserve education, opportunity, and enhance the quality of education. I believe 30 years from now, when the record of this last two years is written and people talk about how we passed the balanced budget in 30 years, the next most important thing about what we did that budget is that I believe we can really say now we've opened the doors of college to everybody who is willing to work for it.

The HOPE Scholarships give a \$1,500 tax credit -- not a deduction, a credit for the first two years of college to American families. That covers the cost of community college tuition in nearly every community college in the country, not every one, but most of them.

There are tax credits for the junior and senior year, for graduate school, for adults going back to get training, 300,000 more work-study slots. The interest on student loans is finally tax deductible. There are many more Pell Grants. You can have an education IRA now; you can save for your kids' college education and you can put the money in and it's not subject to taxation. Then you can take it out and the gain is not taxable if the money is used for education.

So we've really worked hard to open the doors of college. Why is that so important? Because you all know that it's a ticket to a better future. And one question that America has the finest system of higher education in the world. Unfortunately, no one would seriously assert that on the whole our system of elementary and secondary education is the finest in the world. We know it isn't.

And there are a lot of reasons why, but we now have the international mathematics science test for the 4th, 8th, and 12th grade. I'll tell you an interesting

thing. We rank near the top in the 4th grade, even though we have the most diverse student body, not only by race and ethnic and national origin, but income -- more diverse than a lot of wealthy countries. We do great in the beginning. We are in the middle by the 8th grade. And we're near the bottom by the 12th grade.

Well, I think we need smaller classes, more teachers, better-trained teachers. The kids should be required to take more difficult courses. We have too many children who go all the way through high school and our put in these tests but they haven't even had the courses taught by people with the academic background to teach them. And I think that now that we have the money to contribute that, without interfering with the primary role of the states and the local governments for education, we have some funds -- we will have this year -- we ought to invest in that.

We ought to help more kids get off to a good start. We ought to help make sure that we can have better-trained teachers, and we ought to support that school improvement.

The other thing I want to say is that these statistics also are misleading because we still have a lot of schools that are as good as any that you could find anywhere. And an awful lot of our problems are concentrated in a few schools, and, again, we need a community approach to that.

I really admire what they're doing in Chicago to try to turn their schools around. Now, in Chicago, if you don't pass exams, you can't get promoted to the next grade. But instead of just holding you back, they have mandatory summer school -- a drastic thing for a big city. But you know what else? The crime rate has gone way down in the summertime in Chicago. (Laughter.) Why? Because the kids are now -- they're being given a better future and also something

One of the most important things in this community budget for education is substantial new funds to help schools stay open after hours to be community institutions to give children places to go if the parents are working. The majority of juvenile crime is committed after school closes and before they get home. So this is important.

Let me just mention a couple of other things. In addition to an economy that offers opportunity for all, we want a society that enables us all to honor our responsibilities to our families and to one another. Among other things, I've proposed a Patient's Bill of Rights that I think is very important to deal with the fact that 160 million Americans are now in managed care plans. There's been a lot of good out of that. It's cut inflation in health care dramatically. It's helped us to get the economy more healthy. But there are also all kinds of