

For Immediate Release

January 25, 1993

EXECUTIVE ORDER

ESTABLISHMENT OF THE NATIONAL ECONOMIC COUNCIL

By the authority vested in me as President of the United States by the Constitution and the laws of the United States of America, including sections 105, 107, and 301 of title 3, United States Code, it is hereby ordered as follows:

Section 1. Establishment. There is established the National Economic Council ("the Council").

Sec. 2. Membership. The Council shall comprise the:

- (a) President, who shall serve as Chairman of the Council;
- (b) Vice President;
- (c) Secretary of State;
- (d) Secretary of the Treasury;
- (e) Secretary of Agriculture;
- (f) Secretary of Commerce;
- (g) Secretary of Labor;
- (h) Secretary of Housing and Urban Development;
- (i) Secretary of Transportation;
- (j) Secretary of Energy;
- (k) Administrator of the Environmental Protection Agency;
- (l) Chair of the Council of Economic Advisers;
- (m) Director of the Office of Management and Budget;
- (n) United States Trade Representative;
- (o) Assistant to the President for Economic Policy;
- (p) Assistant to the President for Domestic Policy;
- (q) National Security Adviser;
- (r) Assistant to the President for Science and Technology Policy; and
- (s) Such other officials of executive departments and agencies as the President may, from time to time, designate.

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(OVER)

THE WHITE HOUSE BULLETIN

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MEMORANDUM FOR ALL OPD, OPP AND
CABINET AFFAIRS STAFF
THE WHITE HOUSE

SUBJECT: TODAY'S BRIEFING

DATE: THURSDAY, JANUARY 21, 1993 - 11:45 AM EST

SINCE THE MORNING PAPERS:

- o A US warplane today fired on an Iraqi missile site in the northern no-fly zone, a Pentagon official told CNN. The attack -- the first since Baghdad's cease-fire announcement two days ago -- reportedly came in response to an Iraqi radar lock on a French Mirage jet the US plane was escorting.
- o Iraqi state-run newspapers today called for a "new page" in US-Iraqi relations as UN inspectors arrived in Baghdad to oversee the destruction of Iraqi weapons of mass destruction. The army newspaper Al-Qadissiya today said: "The basis is there to open a new page in Iraqi-American relations and to prepare for the Clinton administration to study the lifting of the illegal air embargo."
- o Financial news as of 11:45 AM EST:
-- DOW (30 Industrials): Unchanged on a volume of 108 million shares.

IN THE WHITE HOUSE AND AROUND TOWN:

- o This morning, President Clinton held an open house for 2,500 members of the public at the White House, a symbol intended to show that he wants to run an open Administration. The Clinton inauguration team had to run a postcard lottery to pick people who would be invited for the walkthrough. Some 85,000 applied.
- o As should be expected, the White House is in a scramble this morning, with the new staff members still trying to find their way around. According to those on the inside, it is even difficult to reach their colleagues by phone because new telephone directories have yet to work their way around the building. The first-day confusion is normal for a new Administration. Similar problems were experienced even during the initial days of the Bush White House, which experienced a more friendly takeover.
- o White House chief of staff Mack McLarty said this morning that Hillary Clinton will play a role in domestic policy formulation. Responding to a report in today's Wall Street Journal which says Hillary Clinton will take the lead the health care reform effort, McLarty said: "Well, Hillary Clinton has been a strong advocate, as you know, over the years as First Lady in Arkansas on a number of domestic issues. She'll be involved, I think, in a very constructive way, and I'm certainly looking forward to working with her. In some of our earlier meetings, she participated in those and was very, very additive to the

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meeting. As far as the specifics of when any proposals might be drafted, I don't think we're at that point right now." McLarty made the comments during an interview this morning with NBC.

o **Clinton White House officials are knocking down a morning press report claiming the new President will issue an order today concerning homosexuals in the military.** Using Democratic Congressman Barney Frank as its source, today's Washington Post claims Clinton will end "harassment of homosexuals in the military" today. "Not true," said a White House official, who added that Clinton still plans to fulfill his campaign promise on the issue, but not so soon. Instead, say sources, the military will be asked "informally" sometime next week to end its discrimination policies geared toward homosexuals, with a more formal Executive Order to follow a few months later.

o **Yesterday, the Bush Administration moved to protect the US steel industry from low-cost imports.** The order said duties of 25 percent to 148 percent would be needed to offset the artificially low prices of Brazilian, French, German and British steel. The US International Trade Commission has until February 25 to make a final decision on whether to impose the duties. Until then, the Customs Service will require a bond or cash deposit on products covered by the order. The Commerce Department action wasn't announced immediately. First word came in a statement issued by Inland Steel Industries Inc. "The department's findings confirm what Inland has known for years -- that many sellers of imported steel are dependant on unfair trading practices for sales in the US market," the statement said. Inland said it was pleased by the "substantial" amount of duties that would be needed to counteract the "dumping" of foreign steel in the US market -- selling it here at prices below those in home markets.

o **The new National Economic Council will be the hub for much of the non-national-security policy development in the Clinton White House,** according to someone familiar with the current thinking of its staff and the development of previous White House's domestic policy processes. "The National Economic Council will really be responsible for the formalized staffing of issues. There will be a lot of special-subject task forces, coordinated by the Assistant to the President for Domestic Policy [Carol Rasco] and the other policy people Clinton has appointed, but they will all have to go back through the National Economic Council for processing up to the President," said the Democratic source. This seems to be evident in reports in the Wall Street Journal today that Hillary Clinton will informally head the health reform Task Force, "with senior White House policy advisor Ira Magaziner running it on a day-to-day basis...."

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An example of the powerful and strategic role this new body -- to be created by President Clinton through an Executive Order within the next few days -- is expected to play was provided by US Trade Representative-designate Mickey Kantor, who said the question over the classification of imported minivans would be the first issue considered by the Economic Council.

In the initial designs of the Council there would be an Executive Committee created, which would consist of the Secretaries of Treasury and Commerce, the U.S. Trade Representative, the Director of OMB and the Chairperson of the Council of Economic Advisors. Other full committee members would most likely include the Secretaries of State, Labor, Agriculture, Transportation and Energy, as well as the President's Science Advisor. It is unclear whether this initial design is still in place, however. During the last Democratic Administration, the Domestic Policy Council, headed by the Assistant to the President for Domestic Policy, reviewed each domestic issue to ensure it was properly staffed and analyzed, with input from all relevant parties, before it went to the President for decisions. (For analysis on the new National Economic Council, see below.)

o **Choices for reducing the White House by 25 percent, as promised by President Clinton during his campaign, might not be as difficult as most Washington insiders think.** Early in the transition process, Clinton's advisors provided the President-Elect with several alternatives for meeting this goal. These options included: "applying the 25 percent promise to the White House only; applying it to the total White House and Executive Office of the President (EOP); or applying it to the White House, while also

eliminating several Executive Office advisory boards and committees."

A key finding of the transition advisors was that a major reason for the growth of the White House staff over the last 12 years was a 160-percent increase in the Vice-President's office, five times the growth rate of the total White House. The total for the entire EOP levels are about the same as in 1980.

The White House staff, including the Vice-President's office, numbers approximately 425. The entire EOP totals 1,820, and includes such offices as OMB (470 staff), US Trade Representative (118 staff), the National Security Council (113), and the Council of Economic Advisers (38 staff).

To reduce the more tightly defined White House staff by just over 100 people to meet Clinton's campaign commitment, the advisors felt they could: reduce overall staffing by 10 percent; eliminate the Council on Competitiveness (9 staff members); significantly reduce the Vice-President's staff (by reducing the national security staff and relying more on the President's NSC staff -- still leaving the VP with an overall increase in staff compared to the Carter Administration); eliminate Bush's Points of Light office (17 staff); and a 25 percent across-the-board reduction in non-professional, non-residence staff.

Some of the EOP agencies, boards, and committees which were targeted for transfer out of the White House early on -- before either Clinton or Gore saw the recommendations -- were the Office of National Drug Policy, the National Critical Materials Council, nearly 10 advisory boards, and the National Space Council. A preliminary suggestion to eliminate the Council on Environmental Quality was dropped in later drafts.

Comparing these recommendations to the White House staff announcements which were made last week is difficult, since only the top level of aides has been named. For example, the Office of Communications to be headed by George Stephanopoulos, with 11 people announced last week, actually combines the former offices of Media Affairs and Press Secretary -- which now totals 36 people. Legislative Affairs, which formerly included 14 people, only has the three top people named to it so far. Also, Clinton created a National Service position under Eli Segal, and Segal's new office could take up the staff positions of Bush's Points of Light program.

o **A recent flurry of attention to President Clinton's commitment to establish "100 community development banks across the country" is causing political battle lines to be drawn.** Clinton's proposal -- modeled after the Southshore Bank in Chicago, where a senior vice president is a longtime friend of Hillary Clinton's -- would establish a new fund of \$850 million to leverage an additional \$1.7 billion in private capital. There is some doubt, however, whether the Southshore experience can be replicated by the Clinton Administration so easily. According to a senior Southshore Bank official: "We are a regular bank which has decided to make a profit lending in a poor neighborhood. We did not start this bank from scratch, but purchased an existing bank, which is the preferred way to do this. It has taken us nearly 20 years to get this far, and I can't see how you can do 100 of these in five years -- if Southshore is the model."

According to a leading representative of the banking community, there is also real concern about the potential problems of having competition by positioning "one private institution versus a government-funded entity. There is still tension left from the Farm Credit System competing with private banks." What has been missed by most analysts is the true nature of Southshore, as well as the type of lending which is most needed in the worst urban neighborhoods.

Southshore Bank is part of a bank holding company regulated by the Federal Reserve Board. It has six subsidiaries, including a regular commercial bank regulated by the FDIC. It also has: a real estate development company which acquires and develops residential and commercial properties; a MESBIC, which writes SBA-guaranteed minority loans; a non-profit entity that operates social and economic programs for low-income residents; a for-profit corporation which develops rental and co-op housing; and a consulting arm that provides other communities with similar help.

Most inner-city advocates believe "community lending" means projects which are not normally credit-worthy will be funded, or that venture-capital funding will help start business. There are non-profit development entities in communities which establish revolving loan funds to finance inner-city development -- but they do not carry deposit insurance; are not regulated by federal entities; and do not

expect to make a profit. Which type of vehicle the Clinton Administration proposes to launch is unclear from the sketchy details provided so far by Clinton and his advisors. This ambiguity is already causing jurisdictional battles to form between the Departments of Treasury and HUD, with Commerce's Economic Development Administration likely to step in when it is realized that these "banks" are to operate in rural as well as urban areas.

- o **Contrary to the favorable reaction Clinton seemed to give to banking deregulation as an economic stimulus at the Little Rock economic conference, the advice he has received from a Transition advisory team is nowhere near as positive.** According to a Democrat who has been advising the Transition on financial institutions: "The President, as of last week, had not been presented with any explicit decision memoranda, so it is unclear what he will decide in response to the comments at the Little Rock economic conference. He was told, in reference to the generation of \$80 billion dollars of new investment through deregulation; that there is absolutely no agreement in the banking community as to what has to be deregulated; that there is no way to quantify the investment resulting from each specific deregulatory initiative; and that those deregulatory efforts most appropriate or likely would probably generate a lot less than a 4 percent increase in loan activity," as he was told in Little Rock by longtime friend and Arkansas banker William Brandon, Jr., currently President of the American Bankers' Association. The transition advisors also took a position that the issue of interstate banking, always high on the lists of major banks, is not something which will help create jobs. In fact, "it would probably reduce the number of jobs in the banking industry, and most small and medium-sized banks are not too thrilled with having to compete with the larger banking conglomerates," the banking industry expert told the Bulletin. He added: "Clearly, appropriate regulatory relief is a part of an overall economic effort, because there is a chilling effect by what has happened. But there is no quick stimulus piece here."

The political climate for deregulation of banks is also not very favorable according to this source, "since the two banking committees are now probably two of the most liberal committees in the new Congress, and will be very consumer oriented. While these committees might have come down too hard on the regulation of banks in the last several years, they are not about to move very quickly to deregulate in any significant way."

- o **It will be announced later today that Bush's EPA Administrator, Bill Reilly, is joining the World Wildlife Fund as a Senior Fellow.** Reilly will be joined by his chief of staff, Gordon Binder, who will also become a Senior Fellow. "Bill will be doing some lecturing, writing, traveling and decompressing," Binder told the Bulletin this morning. "What comes next in terms of a new major assignment is not clear, but the first step is to unwind."

WHITE HOUSE POLICY MAKING AND THE NATIONAL ECONOMIC COUNCIL:

This morning, the Bulletin invites **Martin Anderson**, the Economic and Domestic Policy Advisor to President Reagan, to discuss the White House's domestic policy development process, particularly Clinton's National Economic Council.

BULLETIN: Clinton advisors have recently told the Bulletin they expect the new National Economic Council to be the central decision-making center within the Clinton Administration for important domestic policies. Based on your experience serving President Reagan, would you agree with this assumption?

ANDERSON: Absolutely. The economic issue is the dominate issue. If the economy is strong and roaring, then the domestic council would have more importance. If the economic council, however, tries to find an economic aspect to every issue, then you have got a mess. The economic council should focus on overall spending control, tax policy, regulation, and how to deal with the Federal Reserve system. Everything else should be left to the domestic policy council. This is where the Council of Economic Advisors Chairman Laura Tyson can play a big role, because she and her staff can work with the domestic people to analyze the economic implications of the

ideas being discussed in the domestic council. But if the councils start competing, then they are in trouble.

BULLETIN: Does it make sense to use the National Economic Council to develop the details of the Administration's policy?

ANDERSON: That is the way it was under the first two years of Reagan. We called it the Economic Affairs Council. If you go in and try to govern with the Cabinet, it does not work. There are very few issues that are of interest to the whole Cabinet. The beauty of having a separate economic council was that the only members who were there had a real interest and expertise in what was going on, so there was very good discussion. And President Reagan sat in on about half of the meetings. It was a wonderful way to get issues discussed among the relevant people. If the Cabinet Members are involved in the initial formulation of the plan, they all sign on board. This was the essence to the smoothness with which the Reagan operation ran in the first two or three years.

To make it work, a number of people on the White House staff were members of each council. For example, the Vice President, [Ed] Meese, [Jim] Baker, [Mike] Deaver, and myself were members of each council. Baker and Deaver never showed up, and Meese did not show up a lot, but I showed up for all of them. When the President wasn't there to be chairman, then the council would only meet if the Chairman Pro Temp was there. For example, on the economic council, if the President or Treasury Secretary Don Regan wasn't available, we didn't meet.

Each council had an executive secretary. For example, for Economic Affairs, it was Roger Porter, who worked for me. The executive secretaries created working groups, set the times, kept the agendas. The executive secretary is a critical person, and who this person works for is very important. For example, does that person report to the Assistant to the President for Economic Policy Bob Rubin, or does he report to Treasury Secretary Bensten. We had big arguments with our Treasury Secretary, Don Regan, about this issue. He wanted everyone to report to him. It is critical that the executive secretary of the council report to the White House, or else it will lose control. Rubin should be a member of the group, but there should be an executive secretary whose full-time job is to coordinate that council, keep track of the agenda, keep everyone informed, and that person should work for Rubin. The beauty of our councils was that everything that happened flowed through the White House office, so we never got surprised. We knew when the meetings were and what the agenda was; we could change the meeting and change the agenda. It also brought Members of the Cabinet into the White House. The opposite happened in foreign policy in the first year - ask [National Security Advisor] Dick Allen. He was continually being surprised as his groups met outside of the White House and full option papers were dropped into the White House.

BULLETIN: How does the White House control the process and decide which issues will fall into which council?

ANDERSON: In our case, [Ed] Meese would decide where issues would go, although the President would occasionally have to settle disputes.

The first thing each morning, we had the senior staff meeting, which was chaired by [chief of staff Jim] Baker. That went to 8:00. Then we had a special meeting that no one paid any attention to, which was called the national policy meeting. Each morning, after the senior staff meeting, we would walk down the hall, go into Meese's office, and shut the door. Then Ed Harper from OMB, Dick Allen, myself and Meese sat down and went over the entire policy agenda every morning.

We also had what we called the "Troika," although there were four of us. I used to joke that was the problem with our economic policy, we couldn't even count names. We met every Monday morning for breakfast in Don Regan's office at Treasury. That is what Rubin should set up, which should include Bensten, Panetta, and Tyson.

BULLETIN: It appears the National Economic Council will have more members than did your Economic Affairs Council. Is this a good idea?

ANDERSON: It appears they will have too many. I would advise them to stop this executive committee idea and get it to where they have the six or seven most important Cabinet Members on the council. The council should

include Treasury, OMB, CEA, Commerce, and then it starts going down hill fast from there in terms of general economic policy. [Labor Secretary Robert] Reich might be a special case. I would not put USTR on. They get so captured by the bureaucracy that I don't recall them being helpful in any meeting we were in. They become foreign lobbyists. I don't mean to say anything against Bill Brock or Mickey Kantor, but USTR should be subject to the Cabinet meetings and should be given their marching orders and told exactly what to do.

BULLETIN: Clinton has chosen as his chief of staff Mack McLarty, someone without much Washington experience. How will this effect the White House policy making process?

ANDERSON: It does not matter where he is from. From what I have heard of McLarty, I think he is terrific choice for Clinton. The most important thing about him is he has known Clinton since kindergarten, and they trust each other. So much depends on his report with the president and his wisdom and judgement.

On these councils you will probably find that Hillary Clinton, Vice President Gore, McLarty, Lindsey will also be sitting in. If I were Clinton, I would make those four a member of every one so they could go in when they wanted to. You have got to be a member. It does not do any good to sit in the back of the room.

On economic policy, I would bet Hillary, McLarty, Rubin and Lindsey will have more to say than any of the other people.

BULLETIN: More than Treasury Secretary Bentsen?

ANDERSON: Yes. Those four will have offices in the West Wing and they are all long-time persons friends of Bill Clinton. And Secretary Bentsen is an appointee of William Jefferson Clinton.

Reagan had his policy all laid out when he entered the White House. One of the first things that happened to Don Regan was that he was briefed on what that policy was and was told "this is it." He was good when he was taking instructions for the first few years as Secretary of Treasury. He was the chief spokesman and was really good at running the meetings and did a terrific job as Secretary of the Treasury, but he did not formulate the policy.

I believe Clinton has it pretty clear in his own head exactly what he wants to do, and I think McLarty knows, and I think Lindsey knows -- who sat next to him every day during the campaign -- and I think Rubin knows. And it won't matter what OMB, Treasury and the rest say.

I would not be completely surprised to find Hillary Clinton sitting in on those meetings. I am married to a person who is a senior research fellow at the Hoover Institution, and if I were President of the United States, she would be in the Cabinet meetings. The reason I married her is because I trusted her judgement. I can see Bill Clinton, Hillary, McLarty and Lindsey -- the good ol' boys and girls from Arkansas -- with their shoes off locking things in. There is only one thing comparable to the White House in history, and that is the palace court. It is the way it works. It ebbs and flows, and power depends on how much information one has and access to the President. Those are the two driving forces, and it has always been that way.

LAST LAUGHS:

o **David Letterman: Top Ten Things Clinton Had To Do on His First Day**

- 10) Find out just what the hell this "Bosnia" is.
- 9) Call up chicks who wouldn't date him in high school and ask what their husbands do for a living.
- 8) Send in change-of-address card to "Hillbilly President!" magazine.
- 7) Buy that Saddam a burrito, because a man enjoying a burrito is a threat to no one.
- 6) Sharpen a load of pencils.
- 5) Anything to distract him from thinking about what Michael Jackson looked like close up.
- 4) Flip Newt Gingrich the national bird.
- 3) Assure a teary-eyed Dan Quayle that he'll look after squirrel family living in attic.
- 2) Figure out jogging route that goes past McDonald's and Dunkin Donuts.
- 1) Start making pathetic excuses. (NBC Late Night with David Letterman) -- END OF FAX --