

Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. talking points	re: Points to Raise with President Clinton [partial] (1 page)	08/30/1993	b(6)

COLLECTION:

Clinton Presidential Records
Staff Secretary
John Podesta (Chron Files)
OA/Box Number: 1390

FOLDER TITLE:

August 28-31, 1993 [3]

2018-0662-S

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RESTRICTION CODES

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

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

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

RR. Document will be reviewed upon request.

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

- b(1) National security classified information [(b)(1) of the FOIA]
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- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

THE
CHILDREN'S
HOSPITAL
OF
PHILADELPHIA

FOUNDED 1855

THE PRESIDENT HAS SEEN 8/30

William I. Norwood, M.D.
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ONE CHILDREN'S CENTER
34th STREET AND
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PHILADELPHIA, PA 19104
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Horacio
from Henry's son's
Dr. — *intensely*
R.

August 5, 1993

The Honorable Henry G. Cisneros
Housing and Urban Development

Dear Mr. Secretary:

In keeping with our previous brief discussion, I offer this communication as a brief outline of some thoughts regarding health care in the United States. Aldo R. Castaneda, M.D., Ph.D. has also participated in this process.

Prior to World War II, medicine in the United States and the world was practiced with a very limited understanding of physiology and almost no understanding of cellular and molecular biology and supported with a limited scope of drugs and almost no technology with the exception of applied radiology. After World War II, there was a heightened confidence in the United States that basic and applied science in the form of technology could provide powerful solutions to problems of everyday living. Accordingly, public funds became readily available to the study of science and medicine in national institutes and in our universities. As a consequence, in the United States there was a tremendous growth in understanding and applied science in medicine, giving physicians almost for the first time an ability to do considerably more than merely hold the hands of the ill, old, and dying. Early after World War II, for example, the advent of diagnostic cardiology and cardiac surgery transmogrified our ability to recognize and manage heart disease. Transplantation became a reality, and it continues a phase of rapid evolution where new questions are more prevalent than answers. The explosion of our pharmacological means of manipulating physiology and treating its abnormalities provided the physician with an enlarging selection of increasingly effective medicines. In particular, the enhancement of vaccination and its concepts, and a multitude of diversified antibiotics provided for the first time a reliable means of treating and controlling a large variety of infectious diseases. Technology to support these avenues of medicine developed rapidly including new

imaging technology of ultrasound, computerized tomography, and nuclear magnetic resonance all to a degree made possible by ever-increasing computer power. A burst of understanding of basic biology and molecular biology has put us on the brink of being able to address genetically driven disease. All of these developments included an increasing understanding in the use of clinical trials and mathematics of statistics to test effectiveness and to focus therapy. Never mind what some decriers might have you believe, American Medicine rapidly became far and away the strongest in the world and a national shining star.

However, with this new ability to diagnose and treat abnormalities came increased expense, for simplistically put, early untreated death is medically monetarily inexpensive while initial efforts to treat a disease and develop applied technology is very expensive. But, with continuous effort to increase understanding and effectiveness of therapy and technology, it becomes less cumbersome, more effective, more efficiently and widely applied and inevitably becomes less expensive for the individual. Moreover, for any society, an ability to control one's fragile health and life to even a small degree is morally and spiritually uplifting. Spin-offs in technology and medicine impacting in other areas also amplify a society's welfare and ultimately we have a chance to lengthen our useful lives and even potentially save some of our brightest and best, all of which make continuing advancements a great value, not a money pit.

Nevertheless, in the early 1970's with such cataclysmic events as the Vietnam war, the struggle over civil rights and devastating assassinations, the fabric of our dreams and ideals began to unravel. Our society began to lose a focus on excellence and even became suspicious of excellence with a subsequent erosion of trust in authority, trust in science, and trust in technology. We lost confidence in our ability to control things around us, abdicated responsibility for ourselves and turned increasingly to governmental regulation and legal compensation. The highly laudable efforts to extend civil rights to all citizens to a degree played into this transformation of our concepts of society. In order to control the rapidly expanding business of health care, the image of the American physician had to change. In the early 1970's, President Nixon fostered legislation to suddenly double or triple the number of medical graduates and to dramatically increase the number of family practitioners in contradistinction to specialists. At the same time, our educational system at all levels was becoming less demanding of its students. The effect was to immediately dilute the quality of individual physicians in our society while at the same time blunting our ability to replace that quality. As an aside, there is a misconception that specialists are expensive and somehow limited in their medical knowledge and skills. In fact, it is quite the opposite. The general practitioner is limited in comparison to specialists and when applied as a less expensive substitute, is often ultimately more expensive.

Business managers and planners have become increasingly interested in the expenditure of resources on health care as insurance companies began negotiating with industry and hospital administrations, as opposed to patients and physicians. As the legal framework generated by Union negotiations and government regulation began to dictate to business managers the nature of benefit packages, industry at large became interested in the growth of the health care industry. Curiously, their interest was different from concepts regarding the automobile industry, for example, where growth is considered good and not bad. The health care industry began to be viewed to a degree as an illegitimate industry where growth was burdensome on the business sector through tight linkage to mandatory health insurance for employees. Concepts such as HMO were seductive business solutions which further eroded the physician-patient relationship, fostered fractionation of medicine and provided a mechanism to "insure the well" but largely ignore the sick while chasing the will-o'-the-wisp preventative medicine. While the ability of physicians to do good increased, our ability to comfort the patient as well as to control the system decreased. Thus, while the individual on the street generally continues to regard his personal physician highly, he does not hold physicians at large with high regard. Within this climate, there has been an irresponsible explosion in litigation against the physician which itself has contributed to the fractionation of medicine with a decrease in the bond between the physician and the patient, the physician and the hospital and physician with physician. The incremental financial cost of the "law" in medicine and more importantly the extent to which the law has undermined the concept of the independent, thoughtful, responsible physician as fundamental to the structure of medicine is incalculably large and debilitating. Now uncoupled from the physician and the patient, insurance companies have developed strategy to deal with industry and hospitals to the exclusion of quality and excellence in care, rather concentrating almost entirely now on cost of care. All of this has been the entry way to a tremendous increase in the bureaucracy associated with health care administration. While physicians and/or one or two administrators managed hospitals in the mid-1960's, today there is typically one administrator per hospital bed in America. In addition, the initially laudable organization of the 1930's and 40's now known as the Joint Commission of Accreditation of Health Care Organizations (JCAHO) has become misguided and uncontrollably burdensome on the management of health care, markedly increasing bureaucracy at the expense of good health care through a misguided concept that clinical safety can be assured if the practice of medicine is dictated by policy and procedure generated by committees and driven by a basic suspicion of the practicing physician as a responsible entity.

Even with the erosion of our educational system and some of the other diverting forces already alluded to, there remain today pockets of excellence. While we can do enormously more today than yesterday, our health care system is now balanced on a weak infrastructure which I believe will not be strongly positioned to effectively replace the imminently retiring health care work force that was closely connected to the halcyon days of American medicine of the 1950's, '60's and early 70's. All of these factors have resulted in a fragile health care system. Attempts to address and repair the inefficiency and lack of comprehensive accessibility to our health care system by pure pursestring techniques will no doubt render irreparable harm.

Just as it is recognized that policymakers have a difficult task, it must be recognized by policymakers that in spite of eroded stature from active degradation and passive acceptance, physicians and nurses are not yet simply mechanics or assembly line workers. Moreover, like anything else some physicians and surgeons are simply better than others. As a consequence, there will be and should be centers of excellence which will function as national resources. It is not practical or wise to have each city even each state provide all services at the same level of expertise. Any new system must be sufficiently flexible that patients are not inexorably tied to geography rather than national resources. It must be recognized that medicine is still a rapidly evolving business which will have its own economic demands but ultimately tremendous financial and societal rewards. Medicine is simply not reducible to policy and procedure at least in 1993, and any attempt to do so markedly increases the tangential bureaucratic and accompanying financial burden which blocks efforts to continue progress in developing treatment and technology. Finally, it must be recognized that the underpinnings of our health care system are based in science and new insights, not in bureaucracy.

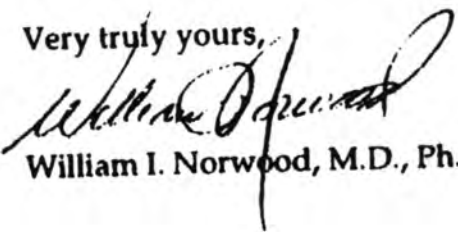
In summary, I believe that special consideration in developing any national strategy must be paid to education. Our educational system must be strengthened from the bottom up. Moreover, health care based in our academic institutions plays a pivotal and important role in our health care structure in general. Academic medicine is simply different and offers important differences from what is available and applied in institutions outside the university setting. Moreover, it is within the academic environment that the education of our new physicians is fostered. If we ignore the special resource requirements of academic medicine, we will forever damage the infrastructure of our health care system and destroy progress of medicine in this country for the foreseeable future. There is a need for centers of excellence in various aspects of medicine, which may not be static geographically over time and are created by physicians, not by appointment, or by

Hon. Henry G. Cisneros
August 5, 1993

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institutions. Excellence recognizes excellence, physicians recognize physicians, and excellence is not defined by simple or even complicated statistical formulas of outcome in national registries which can not by nature truly compare oranges with oranges and apples with apples. Any new national health care strategy can only be successful with an increased trust in our physicians, increased responsibility for our physicians, and increased accountability of our physicians. It should be understood that virtually all physicians are as frustrated with recent developments in our environment as the rest of our citizenry. But physicians for the most part are no longer in a position of control. I personally believe that the only way to improve efficiency in our health care system while maintaining or improving quality care in any lasting, nondestructive way is to decrease the number of medical students by attracting, selecting, and demanding the best only of our best, and develop a nationwide programmatic approach to health care. Rather than hospitals run by administrators being homes to a number of generalists and specialists, they should umbrella programs. For example, cardiology and cardiac surgery could be managed as a program with the physician chiefs of the program directly in contact with, and responsible for the purchasers of care. Only with the special knowledge of the programmatic need for the number of beds, the number of nurses, the kind of equipment, and the expense of the equipment necessary to run such a program will increased efficiency will be forthcoming. Moreover, this will tremendously decrease and at the same time sharpen the administrative bureaucracy of a hospital and place the physician in a position of accountability. I also believe that the JCAHO in its present form has outlived its usefulness. It is effectively accountable to no one and its excessive power has wandered away from thoughtfully, appropriately and carefully encouraging safety. And finally, the mechanism of interfacing the law with medicine needs to be drastically overhauled now!

Very truly yours,



William I. Norwood, M.D., Ph.D.

WIN:jk
Sec. Ltr. Hlth. Care. US

THE PRESIDENT HAS SEEN ^{8/30}

Roy Neil

Did you follow
up on our talk in
Hawaii - re Gov. Acheson's
desire to promote more
trade for US Cos in Japan,
and his wish for a letter to
meeting w/ Mondale?

RC

The issues I expect people to raise during the meeting include:

- Health Care Reform. They are strong advocates of very extensive long term care program, and want to ensure equitable treatment under managed care.

- Personnel Issues. Although several high visibility people with disabilities have been appointed so far, they will probably raise concerns that not enough people with disabilities have been appointed yet, particularly in areas not directly related to disability issues.

28 Participants (see attached)

Senator Harkin
Representative Hoyer
Fernando Torres-Gil, Assistant Secretary on Aging
Judy Heumann, Assistant Secretary of the Office of Special
Education and Rehabilitation Services
Paul Miller, White House Personnel
Alexis Herman
Mike Lux
Kathy Way, Domestic Policy Council

IV. PRESS PLAN

Closed

THE PRESIDENT HAS SEEN 8/30

Crasto
This is my father
at dinner or meeting or had
of ADA -
Just a reminder
that we need to follow
up on them -

THE PRES'

Bob Rubin
Fyfe
I need to
a letter w/ prison
this can contact re:
Calif Defense
conversion
B

TASK FORCE ON DEFENSE CONVERSION CALIFORNIA STATE ASSEMBLY



*Presented to President Clinton
August 13, 1993*

*by Assemblymember Barbara Lee
Chair*



TASK FORCE ON DEFENSE CONVERSION CALIFORNIA STATE ASSEMBLY

HIGH PRIORITY DEFENSE CONVERSION REQUESTS OF THE CLINTON ADMINISTRATION

- Support the creation of a defense conversion task force for one-stop shopping and statewide planning purposes as proposed in AB 2222 (Assemblymember Lee)
 - Require Office of Economic Adjustment (OEA) to ensure the cooperation between the executive branch and the Legislature through legislation, resolution, or letter signed by the Governor and leadership of both houses.
 - Approve funding of the Legislature's statewide planning application for at least \$200,000 in OEA funding.
 - Develop a policy that allows for land on bases proposed for closure to be transferred at less than fair market value.
- ✓ Ask that at least one, preferably two, of the Department of Defense's proposed five to seven military accounting centers be located in California. The first should be located at Norton Air Force Base.
- Locate the NASA High Altitude Supersonic Wind Tunnel at the AMES Research Center at Moffitt Field. NASA is planning to build a \$1.5 billion facility and AMES is being considered along with sites in Virginia and Tennessee. AMES is the logical location already having 14 major wind tunnels, 18 advanced flight simulators, and 25 aircraft used as flying laboratories.

THE PRESIDENT HAS SEEN ^{8/30}

MEMORANDUM

To: Bruce Lindsey
From: Jim Lyons
Re: Denver visit; some observations
Date: August 9, 1993

In connection with the President's visit to Denver on August 12-13 and his non-Papal appearances and events, please be aware of the following:

°Violent Crime. In recent weeks and months, the city of Denver has been besieged with a dramatic increase in violent crime involving guns and children. Gang violence and random drive-by shootings and other attacks have reached virtual epidemic proportions. Innocent bystanders have been the victim of random shootings and at least two infants are among the recent victims. Governor Romer has called our legislature into special session next month to consider legislation which would limit and regulate the sale and use of guns by juveniles. Mayor Webb has put into effect an immediate zero tolerance program and is seeking discretionary federal funding to assist in Denver's increased law enforcement efforts. (See Webb's report of August 5, 1993, attached.)

Under these conditions, the President could express his deep concern and support of the efforts of the Denver community to address the symptoms and cause of this violence. I believe it is no understatement to say that the Denver metropolitan community feels the situation is every bit as critical to our community as the flood emergencies are to midwest communities.

Mayor Webb has asked that I assist him in obtaining time with the President to discuss the availability of federal funds. I have suggested that the Mayor will have an opportunity to talk with the President during the Romer fundraiser and that the city's request for federal funds is better directed to the Department of Justice (Attorney General Reno and/or Webb Hubbell). I have offered to assist the appropriate agency of the city (Manager of Safety) in communicating directly and immediately with the DOJ. I believe this is a better approach, but would appreciate your views.

°Colorado Wilderness Bill. The signing ceremony for the Colorado Wilderness Bill is an opportunity for the President to reaffirm his campaign commitments to a balanced protection of the Rocky Mountain environment and beauty. A number of key environmental and water community representatives are expected to be present at the ceremony and I would be happy to give you or the President a briefing on them. You should also bear in mind that

*76 Macle's Hall
Mayor Webb wants us to
keep discussing the anti-gun
agenda. We're not sure if
Gang violence is a
city initiative - need to check out
B.*

this wilderness legislation is the result of over ten years of effort by interested groups led by Tim Wirth. The legislation should have passed last year, but fell by the wayside in the waning days of the session. Many believe (myself included) that Wirth's enemies in the Senate determined to deny him this last recognition. The bill signing ceremony is an opportunity for the President to give long overdue public credit to Tim for this achievement.

JML:dm

Wellington E. Webb
MAYOR



City and County of Denver
CITY AND COUNTY BUILDING • DENVER, COLORADO • 80202

AREA CODE 303 640-2721
640-2720 (V/TDD)

FOR IMMEDIATE RELEASE
August 5, 1993

CONTACT:
Briggs Gamblin
640-4392

MAYOR WELLINGTON WEBB RELEASES REPORT TO DENVER RESIDENTS
REGARDING CITY'S PROGRESS AND IMMEDIATE PLAN FOR
ADDRESSING ISSUES SURROUNDING RECENT VIOLENCE

DENVER-- Mayor Wellington Webb released a report this morning to Denver residents detailing current progress in dealing with increased violence in Denver. He also spelled out his immediate plan for addressing violence until the joint Mayor/Council Task Force on Youth Violence finishes developing their long-term recommendations to the Mayor and the City Council.

Additionally, the Mayor announced that since July 28, the Denver Police Department had confiscated 69 firearms. They included, 35 semi-automatic pistols and four semi-automatic rifles.

The four components of Mayor Webb's immediate effort are:

I. Moving to Zero Tolerance of Violence (Law Enforcement)

Highlights of this component include:

- 1) Creation of special Denver Police Department Impact Units
- 2) No plea bargaining by the City Attorney's Office on cases involving violation of municipal weapons ordinances
- 3) Propose a mandatory sentencing ordinance to City Council to guarantee strong penalties for violators of municipal weapons ordinances
- 4) Seek federal funds to increase number of police officers

II. Getting Guns Off the Streets

Highlights of this component include:

-MORE-

Page 2 - Webb Releases Violence Report

- 1) Notification, through the Zoning Administration, to all 188 gun dealers licensed at their homes that it is illegal in Denver to sell or buy guns in a private residence
- 2) Support Governor Romer's proposal to strengthen state laws on gun possession
- 3) Charge juveniles under State weapons statutes to allow for stiffer penalties
- 4) Support increased State funding of District Attorney Ritter's witness protection program

III. Empowering Neighborhoods

Highlights of this component include:

- 1) ~~Block-by-block Neighborhood Watch organization~~ by Agency for Human Rights and Community Relations and the Denver Police Department
- 2) Use of yellow porch lights to symbolize neighborhood resolve against violence
- 3) ~~Launch, in cooperation with City Council, the Safe City Summit on September 10 and 11, the second part of which will be held in individual Council districts~~

IV. Intervention/Prevention Programs

Highlights of this component include:

- 1) Extension by the Department of Parks and Recreation of hours for pools and several after-school programs
- 2) Work with juvenile municipal courts to establish supervised juvenile work programs i lieu of incarceration
- 3) Establish home monitoring for juvenile offenders
- 4) Seek a 400 person federal Job Corps Center in Denver to provide jobs and job training for youth

"I want every resident to know that together we can control violence and work together to attack its root causes," concluded Mayor Webb.



THE PRESIDENT HAS SEEN ^{8/}30

Jack Quinn
when can we see
this man?
BZ



MR. PRESIDENT:
THE REINVENTING
GOV'T COMMISSION
SHOULD BE STATUTORILY
CREATED IF WE ARE
GOING TO GET
EXPEDITED CONSIDERA-
TION OF OUR
RECOMMENDATIONS.

IT IS IMPORTANT
THAT YOU TELL
SEN. MITCHELL
THAT, AS PART OF
THIS DEAL, YOU
EXPECT HIM TO
HAVE THE SENATE
MOVE OUR COMMISSION
BILL EARLY IN
SEPT. JACK Q.

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8/30
THE PRESIDENT HAS BEEN SEEN

Neck - Havin Wofford's
cur

POINTS TO RAISE WITH PRESIDENT CLINTON

1. Yesterday you introduced legislation to enact \$65 billion in spending cuts beyond those called for in the President's plan. You need the administration's commitment to push for more spending cuts and, as far as possible, support yours. (Note that you recommend cutting the Space Station and Super Collider.)

2. All or as much as possible of the health care reform plan should be sent to the Labor and Human Resources Committee, rather than Finance. This is the best way to move the plan forward. Moreover, the plan must be announced in September. No delay.

NAFTA
danger

3. Both open seats on the Third Circuit must go to Pennsylvania. Arlen Specter would have received both under Bush, and he has made that widely known. The two nominees you are supporting - Philadelphia Common Pleas Judge Ted McKee and Pennsylvania

(b)(6) -- have been widely praised (including letters to the White House) and would be superb appellate judges for many years to come. Any other nominees would be unacceptable as replacements for McKee and

BU Kears

Sen. Wofford's
clown - admin

4. The Philadelphia Naval Shipyard, which currently employs some 6,000 federal workers, is scheduled to close in September 1996. Some 30,000 workers in the private sector depend on the yard for their present jobs.

Effective September 1994, two months before your election the only work still at the yard will be the overhaul of the U.S.S. Kennedy, an aircraft carrier. At minimum, the Kennedy must come to the yard on schedule, and there must be no reduction in force between now and your election.

Def. conversion
full strength
full time
Security

In addition, before your election, you need to be able to bring some hope to the shipyard. Arlen Specter has received most of the headlines with his lawsuit, and your role has been unclear. No public industrial facility the size of the shipyard has ever been closed in peacetime, and it presents an unparalleled opportunity to showcase real defense conversion. You need the administration's commitment -- delivered through you -- to bring non-military maritime work to the yard, and use the yard to showcase other complementary conversion opportunities.

5. With the exception of Bernard Anderson, Assistant Secretary of Labor for Employment Standards (designee), none of your strong, personal recommendations has materialized. See the attached list of people who still have not landed.

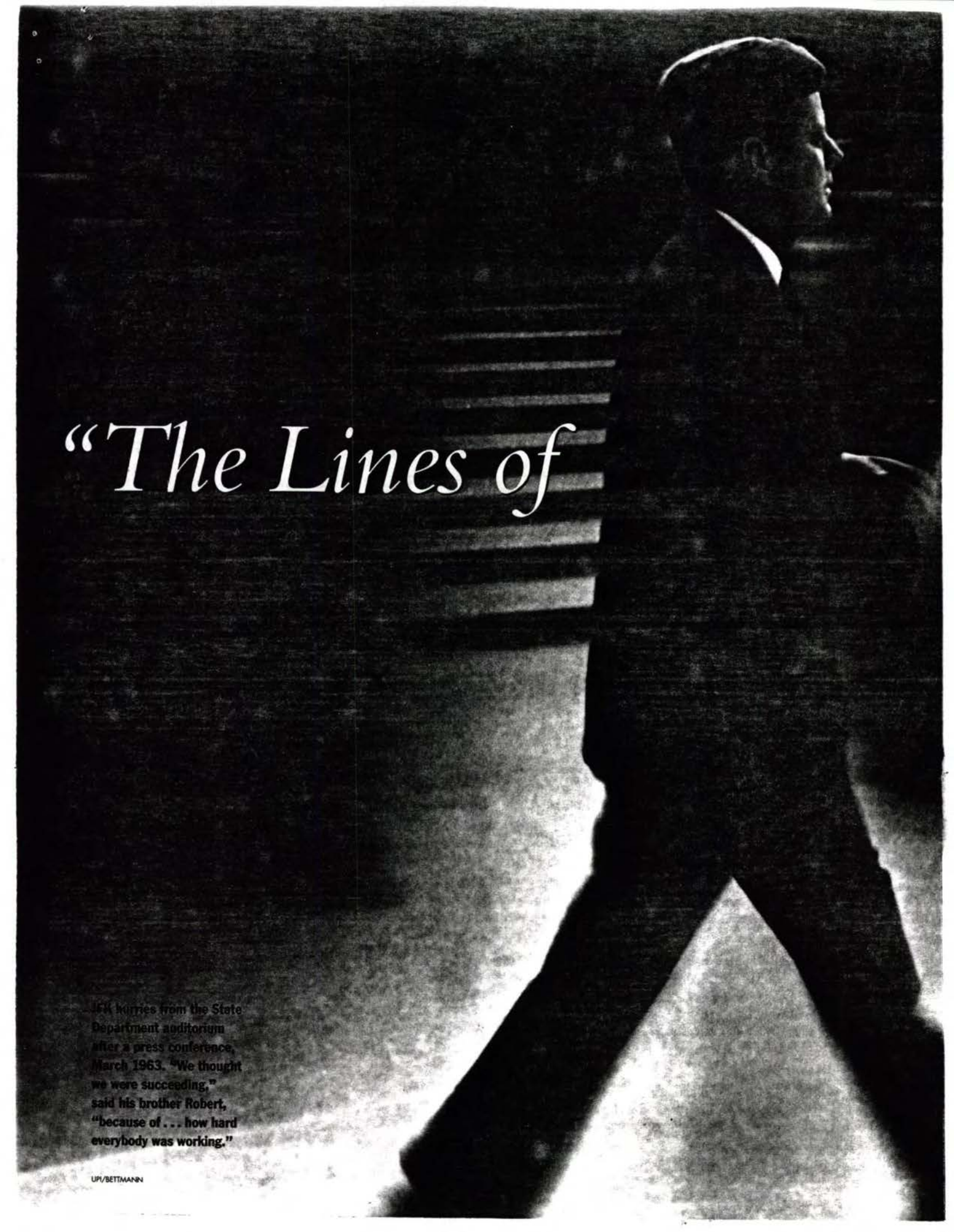
BL
has
list

GS/Gugen/Mach 8/30

Tony

① Worth making
but he obviously
doesn't know how
we do policy

② someone signed
for him also that
Green (do from meeting)
equivalent - they're stuck
Don't want to feel



"The Lines of

JFK hurries from the State Department auditorium after a press conference, March 1963. "We thought we were succeeding," said his brother Robert, "because of . . . how hard everybody was working."

Jack Kennedy came into the White House determined to dismantle his Republican predecessor's rigid, formal staff organization in favor of a spontaneous, flexible, hands-on management style. Thirty years later Bill Clinton seems determined to do the same thing. He would do well to remember that what it got JFK was the Bay of Pigs and the Vietnam War.

Control Have Been Cut"

BY RICHARD REEVES

IN EARLY OCTOBER OF 1963, REP. CLEMENT ZABLOCKI, A WISCONSIN DEMOCRAT, led a House Foreign Affairs Committee fact-finding delegation to South Vietnam. Invited to the White House when he returned, Zablocki told President John F. Kennedy he thought that removing President Ngo Dinh Diem would be a big mistake, unless the United States had a successor in the wings. Remember Cuba, Zablocki said. "Batista was bad, but Castro is worse."

It was a little late for that. By then Kennedy was just about ready to sign off on the overthrow of Diem. In Saigon, Ambassador Henry Cabot Lodge and agents of the Central Intelligence Agency were aiding and encouraging the plots of various coup-minded Vietnamese generals. In Washington, schemers in the State Department, led by Averell Harriman, had persuaded the President that

the fight against North Vietnamese communism was being lost because Diem was corrupt and foolish—and was not taking orders from his American sponsors and allies.

So Kennedy told Zablocki, “I hope you’ll write an objective report and not put President Diem in a favorable light.”

“Well, you know what the boss wants,” Pierre Salinger remarked cheerfully as Zablocki left the White House.

“The boss will get what we think is right,” the congressman said. “Somebody’s giving the boss some bad information.”

Somebody always seemed to be giving the President bad information in those days, a situation that appears to be repeating itself thirty years later in the Presidency of William Jefferson Clinton. The power at the center of American democracy is a function of what the President knows and when he knows it. And Presidents Kennedy and Clinton came to office sharing more than youth and membership in the Democratic party. Each wanted to open up the White House to new information, breaking up or dismantling the old bureaucracies and systems that they thought isolated their predecessors—the councils and committees and boards that channeled information into the President and then implemented and followed through on his orders.

In his turn Kennedy immediately replaced the rigid and formal organization of President Dwight Eisenhower’s National Security Council with small ad hoc task forces, their number rising and falling with the President’s perception of crises. Ideally the task forces would be unofficial, never permanent, never functioning long enough to generate their own bureaucracies or get around the direct control of the man at the center in the Oval Office.

Short conversations and long hours substituted for Ike’s inflexible organization. The best way to reach Kennedy was to hang around the office of his secretary, Evelyn Lincoln. Periodically

he would come out to look at newspapers and talk to whoever was standing there. Harriman, who had served, in his own way, two Presidents before Kennedy, told his assistants that a man had seven seconds to make an impression on the boss. If the President looked your way, you seized the moment or it was lost forever.

After a couple of months in office,

national security if there is a wider group present.”

Perhaps. On April 5, 1961, the President’s national security adviser, McGeorge Bundy, sent Kennedy a memo under the title “Crisis Commanders in Washington,” saying, in effect, that in the most important of ongoing foreign policy crises, no one was in charge: “Over and over since January



With each new report from the Bay of Pigs adding to a picture of disaster, a grim Secretary of State Dean Rusk and Richard Bissell of the CIA confer with the President.

Kennedy invited NBC into the White House for a prime-time television special and described his no-meetings, hands-on management of the building, the country, and the world. It seemed spontaneous and flexible, a new management style, though some of his own men worried that there was more style than management. He had called only two cabinet meetings, he told NBC: “They’re a waste of time.” He repeated the line when he was asked why there had been no National Security Council meetings during his first months in office. “These general meetings are a waste of time,” he said. “Formal meetings of the NSC are not as effective, and it is much more difficult to decide matters involving high

20th we have talked of getting ‘task forces with individual responsible leaders’ here in Washington for crisis situations. At the beginning, we thought we had task forces for Laos, the Congo and Cuba. We did get working groups with nobody in particular in charge, but we did not get clearly focused responsibility. The reason was that the Department of State was not quite ready . . . these Assistant Secretaries, although men of good will, were not really prepared to take charge of the ‘military’ and ‘intelligence’ aspects—the Government was in the habit of ‘coordination’ and out of the habit of the acceptance of individual executive leadership. More than once the ball has been dropped because no one

person felt a continuing clear responsibility."

Two weeks after that, the ball and a lot more were dropped—on Kennedy's head. After a series of unstructured meetings with Secretary of State Dean Rusk, Secretary of Defense Robert McNamara, CIA Director Allen Dulles, and pretty much whoever else happened to be around, the President

After the invasion, a perfect failure, Bundy wrote the President another memo, on May 16, this time dropping any pretense that the Executive problem was in the State Department.

"I hope you'll be in a good mood when you read this . . .," he began. "Cuba was a bad mistake. But it was not a disgrace and there were reasons for it. . . . We do have a problem of management; centrally it is a problem of your use of time. What follows represents, I think, a fair consensus of what a good many people would tell you—O'Donnell, Sorensen, Bell, R. Kennedy, Rusk and Dungan. . . . We can't get you to sit still. . . ."

"The National Security Council, for example, really cannot work for you unless you authorize work schedules that do not get upset from day to day. Calling three meetings in five days is foolish—and putting them off for six weeks at a time is just as bad.

"Truman and Eisenhower did their daily dozens in foreign affairs the first thing in the morning, and a couple of weeks ago you asked me to begin to meet you on this basis. I have succeeded in catching you on three mornings, for a total of about 8 minutes, and I conclude that this is not really how you like to begin the day. Moreover, 6 of the 8 minutes were given not to what I had for you but what you had for me from Marguerite Higgins, David Lawrence, Scotty Reston, and others. The newspapers are important, but not as an exercise in who leaked and why; against your powers and responsibilities, who the hell cares who told Maggie? . . ."

Bundy, the former dean of Harvard College, went on like that, scolding America's most important student: "Right now it is so hard to get to you with anything not urgent and immediate that about half of the papers and reports you personally ask for are

never shown to you because by the time you are available you clearly have lost interest in them. . . . Above all you are entitled to feel confident that (a) there is no part of government in the national security area that is not watched over closely by someone from your own staff, and (b) there is no major problem of policy that is not out where you can see it and give a proper stimulus to those who should be attacking it."

Within a month, on June 13, the President heard the same thing again, this time in the top-secret 180-page Bay of Pigs investigation by retired Army Chief of Staff Maxwell Taylor and Attorney General Robert Kennedy. There was a single copy of the report; to prevent leaks, it could be read only in a locked room with an observer present to be sure no notes were taken. The document concluded with a dry summary of Kennedy's management: "The Executive branch of the government was not organizationally prepared to cope with this kind of paramilitary operation. . . . There was no single authority short of the President capable of coordinating the actions of the CIA, State, Defense, and USIA. Top level direction was given through ad hoc meetings of senior officials without consideration of operational plans in writing and with no arrangement for recording conclusions and decisions reached."

In receiving the Bundy and Taylor memorandums, President Kennedy had also been unpleasantly surprised at home. He found out there was a revolution in his country by reading *The New York Times* on May 15, 1961. That Monday morning, under the headline, BI-RACIAL BUSES ATTACKED, RIDERS BEATEN IN ALABAMA, the paper published an Associated Press story that began: "ANNISTON, Ala.—A group of white persons today ambushed two buses carrying Negroes and whites who were seeking to knock down bus station racial barriers. A little later, sixty miles

Harriman told
his people
that they had
seven seconds
to make an
impression
on the boss.

signed off on a CIA plan for an exile invasion of Fidel Castro's Cuba; fifteen hundred Cubans were landed at Castro's favorite fishing spot, the Bay of Pigs. Of course, Kennedy did not know about Castro's leisure habits, or much of anything else about the plan, because he never questioned whether or not the CIA knew what it was doing, and no one on his staff or in his cabinet or on the Joint Chiefs of Staff had any direct responsibility for the project. Kennedy himself never even saw the paperwork; at the end of each meeting he sat silently as the papers were collected by the operation's planner, the CIA's deputy director for operations, Richard Bissell, who took the only copies of the maps and such back to his office at agency headquarters in Langley, Virginia.

to the west, one of the buses ran into another angry crowd of white men at a Birmingham bus station. The interracial group took a brief but bloody beating, and fled. . . . They call themselves 'Freedom Riders.'"

The organizer of the rides, James Farmer, director of the Congress of Racial Equality, and black journalists, too, had tried without success to alert the President or Attorney General Robert Kennedy before the rides set off from the Greyhound and Trailways bus terminals a few blocks from the White House. But apparently their announcements and notes were lost somewhere in the channels President Kennedy deliberately broke up when he took office. Ignorance of the rides, however, was not as personally embarrassing as his first meeting with British Prime Minister Harold Macmillan to discuss Britain's "Grand Design" for Europe. The prime minister hoped to develop a compromise power-sharing scheme on European security matters that was halfway between the United States's inclination to make unilateral decisions and French President Charles de Gaulle's insistence that France, Britain, and the United States must be equal partners in decision making. Kennedy had not read Macmillan's ideas; in fact, he had lost the papers. It took several hours to find them—in the bedroom of Kennedy's two-year-old daughter, Caroline.

One of the men in the Kennedy administration with extensive Executive experience, Undersecretary of State Chester Bowles, the former governor of Connecticut and a founder of the advertising agency BBD&O said: "Management in Jack's mind, I think, consists largely of calling Bob on the telephone and saying 'Here are ten things I want to get done. Why don't you go ahead and get them done.'" That judgment was often confirmed by the President himself, expressing his admiration for his brother-manager this way: "With Bobby, I don't have to think about organization. I just show up."

Management, in general, does not greatly interest most politicians, but it happened that it was an important part of the two long conversations between Eisenhower and Kennedy during the 1960–61 transition period. As the President-elect began asking questions, Eisenhower quickly realized what was on Kennedy's mind, and he didn't like it. The new man's questions were about the structure of decision making on matters of national security and national defense. The senator obviously thought the Eisenhower White House structure was too complicated, too bureaucratic, too formal, and too slow—with too many decisions outside the President's reach and control. Ike thought Kennedy naive, but he was not about to say that, so he began a long explanation of how and why he had built up what amounted to a military staff apparatus to methodically collect and feed information to the Commander in Chief and, at the same time, had created separate operations to coordinate and implement his decision making.

"No easy matters will ever come to you as President. If they are easy, they will be settled at a lower level," Eisenhower said. And Kennedy did not much like that idea.

"I did urge him to avoid any reorganization until he himself could become well acquainted with the problem," the President dictated to his secretary after Kennedy left. But it was obvious that the President-elect was not much interested in his organization charts—or in organization itself, for that matter. Ike's bent toward order was exactly the kind of passive thinking Kennedy wanted

to sweep away. He had no use for the processes of note making, minutes taking, and little boxes on charts showing the Planning Board and the Operations Coordinating Board. He did not think of himself as being on top of a chart; rather he wanted to be in the center, the center of all the action.

Ike, dictating for his journal, worried that the new man did not understand



At Camp David after the Bay of Pigs debacle; the set of Ike's shoulders suggests the disapproval he felt.

the complexity of the job, that Kennedy thought the Presidency was a personal thing, a question of getting the right people in a few jobs here and there.

That was just about right. Kennedy did believe that problem solving meant getting the right man into the right place at the right time—and, if things

went wrong, putting in someone else. And he saw himself as the right man. Lines of power, he said, were supposed to be like the spokes of a wheel, all coming from him, all going to him. "It was instinctive at first," he said. "I had different identities, and this was a useful way of expressing each without compromising the others."

He preferred to work one-on-one—

"No easy matters will ever come to you as President," Eisenhower told JFK.

hallway meetings and telephone calls to desk officers in the State Department or to surprised professors and reporters. Anyone who had just been to countries in crisis or had written something the President heard about was liable to be awakened by a Boston-accented voice saying: "This is Jack Kennedy. Can you tell me . . . ?" Some of them hung up on him, thinking it was a joke.

He wanted the action to be wherever he was: follow the body. At the far end-points of American policy, his policy, there would be young men like his own staff, hard-thinking patriots in chinos and work shirts, or Army berets or even native dress, ready to turn a crowd of demonstrating students or neutralize a Communist plot.

He was determined not to be trapped by established procedures. His bent

was toward chaos; he was comfortable with a certain disorder around him; it kept his people off-balance, made them try a little harder. In dismantling Eisenhower's military-style national-security bureaucracy, beginning with the Operations Control Board, a small unit responsible for systematically channeling foreign policy information to and from the President,

Kennedy said, in an Executive Order: "We plan to continue its work by maintaining direct communication with the responsible agencies, so that everyone will know what I have decided, while I in turn keep fully informed of the actions taken to carry out decisions." His use of the National Security Council itself was casual enough that when Gen. Earle Wheeler, the chief staff officer of the Joint Chiefs of Staff, was handed National Security Action Memorandum 22—the twenty-second formal national security order approved by the President—he realized he had never seen numbers 5 to 21.

"The lines of control have been cut," Wheeler told his staff. "But no other lines have been established."

That cost Kennedy. The next time he saw Eisenhower was after the Bay of Pigs, at Camp David, named for Ike's grandson. It was the first time Kennedy had ever been to the place. The meeting of the two Presidents was part of a show of national unity after the capture of almost the entire exile brigade by Castro's waiting troops. Eisenhower supported Kennedy totally in public, but in private, as they walked the wooded paths of the Maryland mountain retreat, Ike gave Kennedy a tongue-lashing, saying, "Mr. President, before you approved this plan did you have everybody in front of you debating the thing so you got the pros and cons yourself and then made the decision, or did you see these

people one at a time?"

"Well, I didn't have a meeting. . . . I just approved a plan that had been recommended by the CIA and by the Joint Chiefs of Staff. I just took their advice."

"Mr. President, were there any changes in the plan . . . ?"

"Yes, there were. . . . We did want to call off one bombing sally."

"Why was that called off? Why did they change plans after the troops were already at sea?"

"Well," Kennedy said, "we felt it necessary that we keep our hand concealed in this affair; we thought that if it was learned that we were really doing this and not these rebels themselves, the Soviets would be very apt to cause trouble in Berlin."

"Mr. President, how could you expect the world to believe that we had nothing to do with it? Where did these people get the ships to go from Central America to Cuba? Where did they get the weapons? Where did they get all the communications and all the other things that they would need? How could you possibly have kept from the world any knowledge that the United States had been involved?"

"No one knows how tough this job is until after he has been in it a few months," Kennedy said kind of ruefully.

"Mr. President," Eisenhower said, "if you will forgive me, I think I mentioned that to you three months ago."

"I certainly have learned a lot since," Kennedy said.

Certainly he did learn. A lot of that was just figuring out the right questions, as he showed only a week after the Bay of Pigs in questioning Gen. Lyman Lemnitzer, the chairman of the Joint Chiefs, about recommendations to airlift U.S. troops into Laos that spring of 1961.

"How will they get in there?"

"They can land at two airports," said the general. The places were named Savanaket and Peske.

"How many can land at those air-

ports?" Kennedy continued.

"If you can have perfect conditions, you can land a thousand a day."

"How many Communist troops are in the area?"

"We would guess three thousand."

"How long will it take them to bring up four?"

"They can bring up five or six thousand, eight thousand, in four more days."

"What's going to happen," snapped the President, "if on the third day you've landed three thousand—and then they bomb the airport? And then they bring up five or six thousand more men! What's going to happen? Or if you land two thousand—and then they bomb the airport?"

Some histories of the Kennedy Presidency emphasize that kind of evidence of growth in the job, focusing on American domination of the Soviets during the Cuban missile crisis in October of 1962 and on the Limited Nuclear Test Ban Treaty negotiated in the summer of 1963. But without gainsaying those achievements, it seems clear that after two years in office Kennedy was moving the United States into combat in South Vietnam in a slow and drawn-out replay of the Bay of Pigs invasion. He still seemed unable to sort through bad information. He focused on political appearance rather than military reality and continued to think the key to the problem was finding the right man—which meant eliminating the wrong one, Castro or Diem.

Looking under bushes for the Vietnamese George Washington" was the way Gen. Maxwell Taylor privately described the process after Kennedy appointed him to succeed Lemnitzer as chairman of the Joint Chiefs. Twice Kennedy dispatched Taylor to South Vietnam, in October of 1961 and again in September of 1963—two of more than a dozen fact-finding missions the President sent there, searching almost desperately for good information.

Taylor was one of the very few mil-

itary men Kennedy trusted. Another was a Marine general, Victor Krulak. The President and that general had known each other since 1943, when they were a Navy lieutenant (junior grade) and a Marine lieutenant colonel. Kennedy's boat, *PT-109*, had rescued Marines under Krulak's command in the South Pacific, and Krulak had promised him a bottle of Three Feath-

New York Times announcing that they had sent copies to every member of the U.S. Senate. Twenty-one pieces of legislation introduced in the Congress cited *The Ugly American* by name. Advertised as "fiction based on fact," the book is a series of simple stories, most of them about clumsy and arrogant Americans being outwitted by Communists of all nationalities in the battle



JFK meets the young man who will one day succeed him—and, possibly, fall into the same snare. Bill Clinton was in Washington with the Boys Nation youth group in 1963.

ers whiskey when they got home. He delivered it to the White House eighteen years later, as an inaugural gift.

President Kennedy appointed Krulak as the Joint Chiefs' director of counterinsurgency, a job created by Kennedy in his devotion to the ideas presented by Eugene Burdick and William Lederer in their best-selling and extraordinarily influential novel *The Ugly American*.

The book, by Burdick, a political science professor, and Lederer, a captain in the U.S. Navy, sold more than five million copies during the 1960 presidential campaign, more than a few of them to Sen. John F. Kennedy, one of six prominent Americans who signed a full-page advertisement in *The*

for the hearts and minds of the people of a country in Southeast Asia called Sarkhan—a fictionalized Vietnam.

Krulak traveled to South Vietnam with a State Department officer named Joseph Mendenhall, whom Undersecretary of State Averell Harriman slipped aboard the plane just before it took off from Andrews Air Force Base near Washington. "The Crocodile," as Harriman was called because of his infighting skills, wanted to protect his own political view that Diem had to be removed against the Pentagon's concentration on military matters.

Krulak and Mendenhall reported back to Kennedy on September 10, 1963. Predictably the general said: "The shooting war is still going ahead at an im-

pressive pace. . . . There is a lot of war left to fight, particularly in the Delta, where the Viet Cong remains strong. . . . The Viet Cong war will be won if the current U.S. military and sociological programs are pursued, irrespective of the grave defects in the ruling regime."

Mendenhall disagreed: "I was struck by the fear that pervades Saigon, Hue

"On the one hand, he said, it was important to keep moving forward. But on the other hand, we must deal with things as they are.

"The Secretary of Defense concurred but felt that we must not permit the views of a handful of neurotic Saigon intellectuals to distract us from the major goal, which was to get on with the war. He asked General Krulak to report on his latest sampling of opinion among the trainers of Vietnamese secret police at Fort Belvoir. . . .

"General Krulak responded that the American trainers had advised him to refrain from talking with the Vietnamese since their views were well known to the trainers, and conversation would distract them from the purpose at hand, i.e., to win the war.

"Governor Harriman stated that he had disagreed for twenty years with General Krulak and disagreed today, reluctantly, more than ever; he was sorry to say that he felt General Krulak was a fool and had always thought so . . .

"General Taylor said that if risks were involved, 'You can count me out.'

"The Secretary of State re-phrased the basic question in terms of Saigon's 897 [a play on diplomatic-cable numbers]. What were we to do about the five hundred school-girls who were seeking asylum in the American embassy?

"(At this point, the President entered the room.)

"The President said that he hoped we were not allowing our policies to be influenced by immature twelve-year-old school-girls, all of whom were foreigners. He felt that we must not lose sight of our ultimate objective, and in no state was the Vietnamese vote worth very much.

"The Attorney General said that it was high time to show some guts, and here was a good place to begin . . .

"The President asked that inter-agency committees be put to work on

the nature of our dialogue with Diem, and he suggested that the EXCOM meet again in a week or so. Next time, he said, he hoped there would be a good map of Viet-Nam available."

Sometimes it seems this is the model for Bill Clinton, who met President Kennedy that month in the Rose Garden, when he was a seventeen-year-old delegate from Arkansas to Boys Nation, an American Legion leadership program. Thirty years later President Clinton met "Brute" Krulak—the nickname is a compliment in his business—at a televised town meeting in San Diego. Krulak, who went on to become the president of the Copley newspaper chain, beat up on Clinton for military spending cuts, saying they would eventually produce "terrible fields of white crosses."

President Clinton took that, not having the vaguest idea who Krulak was. The same thing might have happened to Kennedy, because of another trait they shared: a reluctance to prepare and an absolute unwillingness to rehearse. They both were secure—or deluded—in the belief that they would prevail in any one-on-one encounter. That politicians' arrogance got Clinton, unprepared, into a room of hostile conservatives in San Diego led by Krulak—all on national television.

In his time it got President Kennedy into the bathroom. The first Medal of Freedom he awarded was to Paul-Henri Spaak, the retiring secretary-general of the North American Treaty Organization, in February of 1961. Kennedy, impatient as always, quickly read the proclamation, presented the medal, circled the Oval Office, shaking hands with various ambassadors, and stepped out the door. He had no idea where he was, saw another door, and went in—to the bathroom. He stayed there in solitary dignity until Spaak and the others left his office. ★

This article is adapted from President Kennedy: Profile of Power, to be published next month by Simon & Schuster.

Clinton shares with Kennedy a reluctance to prepare, an unwillingness to rehearse.

and Da Nang. These cities have been living under a reign of terror. . . ." He said the war could not be won without changing the regime.

The President looked from Krulak to Mendenhall and back, finally asking, "Did you two gentlemen visit the same country?"

The decision making in Kennedy's White House did, at times, lend itself to parody. And one was written in September of 1963, by a young State Department aide named James Thomson under the title MINUTES OF THE NEXT HIGH-LEVEL MEETING ON VIET-NAM:

"The Secretary of State opened the meeting, in the absence of the President, by urging that priority be given to the key question of the past thirteen hours: How did we get here, and where do we go from here?"

Much

Pls read - let's discuss B.C.

8/30

THE PRESIDENT AND CONGRESS:
CREATING A NEW PARTNERSHIP FOR A NEW ADMINISTRATION

by Paul L. Joffe

"The classic test of greatness in the White House has been the chief executive's capacity to lead Congress. Weak presidents have been those who had no program to offer, or whose proposals have been bled away in the endless twistings and windings of the legislative process." James MacGregor Burns, Roosevelt: The Lion and the Fox

"There is but one way for a President to deal with Congress, and that is continuously, incessantly, and without interruption." Lyndon B. Johnson

1. The President must be personally involved on his top legislative priorities.

o Woodrow Wilson gave "assiduous attention to the minutiae of legislation," according to his biographer, Arthur Link. By his own account, Franklin Roosevelt spent about three or four hours a day on legislation when Congress was in session. And Lyndon Johnson's full court press on Congress is legendary.

o All the activist Democratic presidents met often with members of Congress. Wilson conferred with Democratic leaders in the President's Room in the Capitol, sometimes attended Committee meetings, and had friends from key Committees who dropped by frequently at the White House to brief him.

o As Governor, Bill Clinton was personally involved with the legislature. A close observer said, "He'll hang out in the hallways, testify in the committee rooms. . . Legislators can wander in and out" of his meetings.

2. "Little things" matter.

o President Jimmy Carter had many good qualities, but his administration's poor, early relations with Congress have been cited as a textbook case of what not to do. The Speaker of the House was unable to get good seats for his guests at the inaugural gala. Members of Congress had difficulty getting small favors from the White House, such as autographed pictures of the president. A top White House liaison with Congress won an early reputation for not returning Congressional phone calls. The White House was disinclined to provide the announcements, projects, and appointments that have traditionally kept a happy team on the Hill in an environment where "all politics is local."

o Providing access and helping members of Congress look good are key in making friends on the Hill. The Administration should strive for an operating style that is consistent with the needs and goals of members of Congress.

3. Big things matter.

o In preparing his energy program, President Carter did not consult any of the committee chairmen who would have to be involved in passage. It has been suggested that this and similar incidents can be traced to President Carter's having been elected essentially without the help of members of Congress and without building coalitions with traditional interest groups. This led him, according to political scientist Charles O. Jones, "into formulating an unworkable model of presidential-congressional relations."

4. Set priorities and move fast, but be careful.

o The need for priorities is a lesson widely understood from the contrast between the Carter approach, which overloaded a few committees with many proposals, and Ronald Reagan's early legislative success with his focus on the economy.

o It has also long been understood that a new President has a honeymoon period that must be used to advantage.

o Speed, however, is not a virtue if it leads to mistakes and sloppy preparation. While the honeymoon provides a boost to legislation, there is also a learning curve and a preparation curve. During the honeymoon, effectiveness may not yet be at full strength, and as the honeymoon wanes, effectiveness may be growing. The trick is to avoid blundering from inexperience and haste while moving quickly enough to benefit from the honeymoon.

5. Get organized.

o There is no magic formula for organizing the legislative operation of the White House, but there are some basic lessons that emerge from the experience of recent decades.

o The Carter Administration tried initially to organize the Congressional liaison operation by issues instead of the more typical organization by House and Senate and region within each chamber. This fundamentally misconstrued the Congressional process by downplaying personal relationships while overemphasizing a technical approach to problem solving.

o The White House legislative liaison staff should be in touch with the agencies, the interest groups, and with governors and other state and local officials. LBJ made departmental legislative liaison people his appointees to encourage a White House perspective throughout the executive branch.

o While personalities and organization charts may differ, most administrations have had three or four key presidential advisers, usually with responsibility for the economy and budget, domestic policy, and national security. Consultation among the President and key advisers is continuous. There may be a daily senior staff meeting, a lunch for senior staff with the President once a week or more, a weekly presidential meeting with Congressional leaders, and senior staff legislative strategy meetings. During the Reagan administration, the head of legislative liaison, Ken Duberstein, often participated with all of these groups.

o In the first year of the Reagan administration, the senior staff legislative strategy group met almost daily, and the way in which it pulled together all the resources of the administration is evident from the composition of the group: James Baker, Edwin Meese, Michael Deaver (White House); Richard Darman (the group's coordinator), Ken Duberstein (Congressional liaison), Craig Fuller (Cabinet liaison), David Stockman (OMB), and Donald Regan (Treasury).

6. Strike the right balance between politics and policy.

o Most administrations have consciously or unconsciously recognized that there needs to be some people emphasizing politics (usually the legislative liaison staff) and some people emphasizing policy (such as the domestic policy staff) and some people doing both.

* o The need for a strong political operation is a function of the point made above that the Congressional process depends on personal relationships. In the legislative environment, everything is relevant to everything else. To pass a health bill, health expertise is only a fraction of what is needed because votes might be swapped for water projects or might be attracted because of personal alliances sealed on the golf course or at weddings and christenings.

o Effective Presidents have had close associates take the lead in shepherding priority legislative matters. FDR had Corcoran and Cohen. LBJ had Joe Califano and Harry McPherson. They orchestrated the blending of politics and policy, tapping the experts and the interest groups, building consensus within the executive branch, and consulting key members of Congress

in preparing the legislation. Then, when a bill came up for markup or for floor consideration, they activated the legislative liaison troops led by pros like Larry O'Brien.

o But as O'Brien was one of the first to make explicit, the legislative liaison job is not just to move specific bills. It is to keep in touch with members of Congress at all times, to foster a sympathetic climate, and to know what members need. As Hubert Humphrey said in critiquing President Carter, "You see, part of Carter's problem is that he really doesn't know the little characteristics of our colleagues up here. You've got to know what makes 'em tick, you've got to know their wives, you've got to know their families, you've got to know their backgrounds."

7. End divided government.

o The branches of the federal government were separated to inhibit rash action. Many believe, however, that modern developments inside Congress, in the media, and in the flowering of interest groups result not in prudence but in deadlock. The parties have been the principal means of bridging the gulf between the branches, but their ability to do that may need strengthening.

o The zenith of party government in America was a two-year period when Congress acted through binding Democratic caucuses to pass the major elements of Wilson's New Freedom -- the tariff act, the creation of the Federal Reserve, and the Clayton Act. In the House, legislation could not be reported from Committee unless directed by the Democratic caucus and a two-thirds vote of the caucus was binding for purposes of committee and floor votes. Speaker Champ Clark explained: "Responsibility rests upon the majority. . . [H]aving an ample majority we intend to place our ideas upon the statute books on the great questions now pressing for solution. . . We must have organization in order to enact the will of the people into law. . . ."

o While nothing as disciplined as the caucus of the New Freedom ever reappeared, all the effective presidents worked closely with their party in Congress, as they also worked to win over votes from across the aisle. FDR met frequently with leaders and committee chairmen and created a special cabinet of executive branch officials and congressmen. Burns says that "individual legislators were drawn into the executive policy-making process not as representatives of Congress nor of their constituencies, but as members of the administration." However, in commenting on the ultimate waning of the New Deal, Burns faults FDR for not sufficiently encouraging rank and file organization in Congress behind his

program.

o Although the fragmentation of Congress in the wake of the Watergate reforms is well known, there have been some changes that move in the other direction, toward strengthening the caucus and the leadership. There is currently further interest in that direction in the House, where Democrats are debating a new policy committee to set legislative priorities for committee action. Also, the Democratic Study Group proposes shifting the criteria for electing committee chairmen from seniority to responsiveness to the leadership and the caucus. With a new, activist President and control of both the White House and Congress, Democrats may have more incentives for cooperation, as they will know that they stand or fall together. The President will have an interest in seeing that, if his priority legislation meets with the approval of most of the members of his party in Congress, action is taken.

8. Use all the tools in the toolkit.

o The President's tools for persuading and leading Congress range from private, quiet meetings to public campaigns through speeches and in the media; from one on one with the Majority Leader or Speaker to group meetings or interest group mobilization; from patronage and attention to home town programs and projects, to straight appeals on the merits.

o At the beginning of the Kennedy administration, Larry O'Brien set up cocktail parties on the Hill where he met members of Congress informally. Then, he invited House members in groups of fifty for coffee at the White House. He arranged private discussions with the President for committee chairmen. After clearing their plans with O'Brien, cabinet officers also arranged meetings with Congressional leaders. The Secretary of Agriculture and that department's legislative liaison troops may often help with farm state members of congress on legislation unrelated to agriculture.

o Even when the Democratic caucus rammed through the New Freedom, behind the facade of party unity, Wilson dickered with the interest groups and appealed to the public; and he mediated, compromised, and threatened in order to produce and maintain Democratic consensus in Committee, in the caucus, and on the floor. In a different era and environment, LBJ knew the importance of keeping all the factions of the Democratic party together. President Johnson got a conservative Georgia Democrat, Phil Landrum, who was the author of a law limiting union power, to be floor manager for the bill to create the Office of Economic Opportunity. In one of his toughest legislative battles, LBJ hoped Landrum would help bring

support from conservative Democrats for a liberal program.

- o Franklin Roosevelt cooperated with Congress on patronage, but it was not a one way street. He postponed much job distribution during the first session in order to see who the administration's supporters were.

- o On Capitol Hill, horse trading comes with the territory. In a famous exchange, Senator Robert Kerr of Oklahoma brought up a river project when President Kennedy asked for help in getting an investment tax credit out of the Senate Finance Committee. The President replied, "You know, Bob, I never really understood that Arkansas River bill before today." The river project was funded and the Senator backed the tax credit bill.

9. Know what you're dealing with on the Hill.

- o Unlike other committees, the House Ways and Means Committee and the Senate Finance Committee (the tax writing committees) usually approve narrative summaries of legislation ("concept" papers) rather than the text of actual bills. After the Committee acts, the staff drafts the bill for floor consideration. Usually, tax measures are bundled together into one large bill so that, unlike other subjects in other committees, the tax committees usually process only one tax bill a year. Also, the Constitution requires that revenue measures originate in the House of Representatives.

- o The House Energy and Commerce Committee has subcommittees that mark up legislation. The Senate Commerce Committee has subcommittees, but they only hold hearings; they do not mark up legislation. This means that in the House committee there is one more legislative hurdle to cross that does not exist in the Senate. Also, the House Energy and Commerce Committee shares health jurisdiction with the House Ways and Means Committee, while in the Senate, Finance shares health jurisdiction with the Committee on Labor and Human Resources.

- o The massive Clean Air Act Amendments of 1990 were reported by the Senate Environment Committee, but the Majority Leader anticipated serious opposition to the committee bill. He established an informal process involving a series of meetings in his conference room, including at one time or another most members of the Senate. As a result, the bill was largely rewritten before it went to the floor.

- o A comprehensive economic policy bill dealing with a variety of subjects could be jointly referred to a half dozen committees in the House. In the Senate, a bill is referred to one Committee based on what the preponderant subject matter of

the bill is. Other committees may seek referral, which may occur by unanimous consent. The chances that a bill will be held up by problems in committee are increased by the multiple jurisdictional referrals and claims regarding a bill that addresses different subjects.

- o Any legislation dealing with money must be in compliance with the infinitely complex budget act rules. In the Senate, for example, 60 rather than 51 votes may be needed to pass measures that require a budget act waiver, such as certain provisions that add to the deficit.

- o Without a knowledge of these kinds of special features of the Congress and its subgovernments or of the various parliamentary options, the White House cannot begin to plan successful legislative strategy. Issues such as timing, whom to lobby, and what bargains might be struck cannot be assessed without a detailed knowledge of the Congressional terrain.

10. Go to the people.

- o Everyone knows that Teddy Roosevelt said that the Presidency is a bully pulpit, but not all presidents have used the bully pulpit well. Some argue that President Carter alienated members of his own party by implicitly chastising them in public appeals. By contrast, according to Woodrow Wilson's biographer, during his first term, "his public appeals were almost always directed at building popular support for his party and program against the assaults of private interests and the Republican opposition." As a product of Congress, LBJ was sensitive to the impact on Congress of public appeals, and he tried to build consensus behind the scenes first.

- o The current policy making environment probably forces the President to use the bully pulpit even more than in the past, especially when seeking to produce major policy changes. This is because mobilization of the public is often needed to overcome organized special interests committed to the status quo. According to political scientist Michael Malbin, this was President Carter's view, but Malbin believes Carter fumbled badly in putting his views into practice in his efforts to enact energy legislation. He was erratic in the level of public attention he gave and the degree of crisis he attributed to the issue. He abruptly reversed himself more than once, leaving Congressional allies out on a limb. And he made it sound like anyone who opposed him was in the pocket of special interests. Finally, the substance of his appeal seemed one of sacrifice now to avoid sacrifice later, with very little in the way of a positive goal of new and better sources of energy.

o In summary, the bully pulpit is a key resource of the President, but recourse to public appeals must be timed right and done in a way that reinforces rather than undercuts allies.

11. Getting the job done.

o The new Administration comes to Washington having already developed much of its agenda during the campaign as a response to the needs of the country. Health care reform, economic growth, and jobs and education and training are among the top priorities.

o To translate the general commitments on these issues into law and into a better life for Americans, the White House must gear its executive branch organization and its strategy for dealing with the Hill to addressing these issues.

o This means getting the substance of the President's proposals right, but it means much more. It means shaping the specifics and acting in a way that will increase the chances of success, by ensuring that members and committees of Congress are friendly, by reducing opportunities for opposition, by using the formal and informal structures of Congress including leaders and caucuses to overcome divided government, and by mobilizing organizations and public opinion to support the changes to which the President and the Democratic Party are committed.

October 28, 1992

MEMORANDUM

To: President Bill Clinton

Dated: , May 28, 1993

From: Bob Raymar

Re: More on the First 125 Days, and the Future

Your and Mack McLarty's encouraging reactions to my 100 Days Memorandum cause me to offer the following additional assessment based upon the Administration's 25 days since then. The successful May 27th CBS Town Meeting proved that you personally remain focused and in touch with America, and suggests that the Administration's key difficulties are incorporating and articulating your vision, and wielding the mechanisms of government. The thoughts that follow may help the Administration become a truer extension of yourself.

1. You were elected as a populist committed to changing "business as usual", and must guard against inconsistent images and substance.

The White House Travel Office and the LAX haircut controversies evidence insufficient advance analysis of how the electorate would perceive and react to the Administration's actions.

You were elected as a populist dedicated to changing business as usual and to furthering policies of core concern to middle class voters. However, several of the Administration's earliest actions and initiatives clashed with this mandate from the electorate by appearing to continue old style politics. Now, the Travel Office incident feeds the public's suspicion that the Administration is willing to manipulate institutions such as the Travel Office and the FBI in order to favor the financial interests of its friends. The LAX incident feeds the belief that politicians take abusive advantage of power by insulating themselves from inconveniences that confront ordinary people.

During the campaign, the controversy over your playing golf in Little Rock taught that even an admirable lifelong record and detailed explanations would not insulate you from criticism of perceived lapses or inconsistent present conduct. The Administration's critics will continue to be quick, harsh, and unpersuaded by explanations, when public action or personal conduct strays from the principles you espoused during the campaign. Personal convenience can never be permitted to take priority over principle or public perceptions. Your campaign set a high populist standard for this Administration, which therefore must scrupulously avoid all appearances of self-importance, love for the trappings of office, or pursuit of politics as usual.¹

There will be many other occasions when members of your staff will propose or even take action in an effort to be helpful to you or to your perceived agenda, but be blind to the consequences or perceptions thereby created. The press has observed that such missteps may derive from the absence of an outside adviser or member of your staff who uses the discipline, political acumen, wisdom, courage and time to recognize pit-falls early enough to warn you to avoid them. Such criticism echoes and emphasizes one theme of my 100 Days Memorandum, and needs to be dealt with promptly.

A more substantive clash of the Administration's conduct with its populist mandate is the apparent reversion to traditional liberal social and economic policies. Whether the focus is on gay or abortion rights, or on price controls for medical services or pharmaceuticals, or on free vaccinations for everyone, or on taxing and spending before cutting enough expenditures, even early and committed supporters are being quoted questioning the Administration's commitment to the new Democratic ideals that were the foundation of your campaign. There appears to be no

¹Thomas L. Friedman accurately captured appearances when he wrote in the May 24th New York Times about "a White House that now seems much closer to Hollywood than a town called Hope."

effort to present such initiatives within the "Putting People First" framework, or to explain how they differ from the liberal public policy failures that caused most voters and even many liberals to abandon the Democrats and liberalism after the Johnson presidency.

Care must be taken not to abandon the themes that elected you and not to adopt too "liberal" a social or economic agenda. It may be possible to present many initiatives as consistent with the campaign's populist and generally more conservative Democratic ideals, if the effort is launched and rigorously pursued. The clashing of the Administration's conduct and initiatives with the voter's understanding of whom they elected, should not be permitted to continue.

2. The theme or framework of the Administration's initiatives must be made clearer.

I have previously emphasized the need for greater rigor and discipline in setting priorities, focusing upon them, analyzing how to accomplish key initiatives, and then pursuing the steps essential to success. Part of the Administration's current difficulty lies in its apparent failure to articulate the interrelationship of individual initiatives, or to explain how they fit within the Administration's priorities and greater vision. Many have been presented in disjointed fashion, much as a wish list of independent and costly proposals, with little or no coherence or explanation. It would be best to focus rigorously at this critical time on the initiatives that further your priorities, and to defer those which are independent of your priorities.

In fact, many Administration initiatives only appear to be independent of your priorities, when instead, they are consistent with and are essential components of your priorities. Thus, the budget/tax package, economic stimuli, foreign trade reforms, and health care revolution, are all part of a coherent, important

effort to make Americans and America competitive again, but to the very limited extent that they are being explained to the public, they are not being explained in that way. Their importance, purpose and role in improving American competitiveness and advancing your vision are not apparent. A clearer picture of the Administration's overall strategy and vision, responsive to the public will and mood, must be presented to the voters constantly.²

Moreover, Presidents need to help citizens understand issues on their proper plain. For example, a summer jobs program is more than that; it is part of a larger strategy to improve opportunities and to achieve full employment for all Americans. Public support for a President rests on an overall appreciation that his efforts address the public's fundamental aspirations in a coherent way, and thereby advance the vision of America that led to the President's election.

The high point of this Administration's popularity was the economic message to Congress. You convinced majorities of voters to support higher taxes by explaining that shared short-term sacrifice was in both the national and each citizen's interest. President Reagan applied ever greater public pressure from just such a point, and cowed the Democrats into acquiescing in his revolution.³ Unfortunately, the marketing of this

²It is important to recognize that this Administration's philosophy and agenda are very different from those of the prior President, that the election was a close one, and that the electorate's understanding of the governing philosophy and agenda is tenuous. The need to continue educating the public throughout your tenure is therefore especially crucial. In this regard, the DNC's Morning Briefing Memoranda are timely and helpful, and they should be distributed as widely as possible.

Paul Joffe YLS'72 wrote a valuable paper during the transition about the importance of arching themes to effective governing, which I enclose.

³Of course, Reagan's goals of cutting taxes and increasing defense spending were much easier to achieve than this Administration's goals, but even so, he pressed those goals

Administration's centerpiece appears to have ended with the message to Congress, both in public and in Congress.

A national address designed to break the stimulus package filibuster would have been useful. If Senator Boren's challenge continues, such an address should be given before the Senate votes on the budget/tax package. Similarly, you should have more televised press conferences, fireside chats, and national town meetings, rather than fewer. The prime time address or press conference is a powerful stage for a focused, self-confident President. Through presence, wit, an articulation of the voters' concerns, and a coherent explanation of vision, themes and initiatives, the President can communicate directly with the voters, persuade and lead them, build pressure on Members of Congress, and reinforce the voters' affection and respect for the President as a person. The paucity of press conferences during the first 125 days reveals an inexplicable lack of self-confidence as to a forum that you have always mastered, and deprives you of valuable opportunities to go to the people. The success of your two hour CBS-TV Town Meeting should lead you to make more such efforts to show yourself to the public in a substantive, full and unfiltered way.

Although there is considerable value in meeting voters and articulating your message through "road shows", presidential addresses, press conferences and town meetings are far more rewarding not only because their audience is greater, but more importantly, because they are more real and the perceived risk to you is far greater. There is still enough time, and events will provide sufficient opportunities, for you to persuade voters as to the coherence, necessity and vision of your program, to

publicly and firmly at every opportunity.

Voters may not love a President who raises taxes, but they will respect his courage and competence if they come to believe that the President has crafted and presented the best achievable solution to a difficult national problem.

continue shifting its emphasis toward the deficit reduction the public surprisingly desires, and to lead the public to pressure recalcitrant Members of Congress.

3. Congressional relations must be improved.

I am reliably advised that your congressional relations staff is first rate, yet we are witnessing public insurrections by important Members of Congress, and I am hearing private criticisms from congressional staffs.⁴ It may be that your congressional relations staff is not sufficient to deal with the number of crucial initiatives, all taken within 125 days, which literally threaten the careers of many Members.

I enclose an important new memorandum on congressional relations from Paul Joffe that updates a transition memorandum I transmitted previously (also enclosed). Paul suggests a number of essential legislative mechanisms that seem to be lacking, most importantly, that the "inside game" with Members depends greatly on the effectiveness of the "outside game" with the public. The homework on each key Member on each piece of legislation appears not to have been done, at least not early enough in the life of each bill. Are loyal Members being rewarded? Are you sensitive to Members with difficult elections on the horizon?⁵ What is

⁴Your efforts to put down the McCurdy and Boren insurrections appear to be effective and to be giving you a platform to sell your package to the people. However, the insurrections caused damage and embolden others to resist your program. Such opposition should have been discovered and dealt with earlier and less publicly. It is vital for Members to understand in a firm but proper way the consequences of saying no to this President's face on a crucial matter.

⁵R.W. Apple, Jr. noted in the May 28, 1993 New York Times that "Mr. Clinton will need to continue repairing his bridges to the moderate and conservative Democrats" I am not at all certain that you have begun to repair those bridges. Moreover, your bridges to the liberal Democrats also need repair, not because of policy differences, but because many of them believe that their unquestioned support has led the Administration to take them for granted on matters of importance to them.

each Member's bottom line, and when should it be satisfied? In making piecemeal concessions, perhaps too early, are you tying down votes, or are you encouraging some Members to ask for more, while losing other Members' votes? For each component of your package, and overall, who is orchestrating the strategy, and is the coordination adequate?

Your decision to present your initiatives directly to the people recognizes that the "inside game" and the "outside game" reinforce each other and must be coordinated. As suggested above, however, the "outside game" has been wholly inadequate.⁶ It is unwise and risky to press for an important vote in Congress without first generating public understanding and support. When the President "hits the road", there must be a chorus of support, with the supportive message ultimately relayed from the grass roots to the Members. Supportive Senators, key Cabinet members, and public interest groups should be orchestrated so that the talk shows and newspapers are not left to the opponents and doubters.

For the future, it is critical that the "outside game" for the health care initiatives be developed and implemented early enough to have real impact on the "inside game".⁷ You should consider a supplemental congressional liaison staff for the forthcoming health care package, because it will be overwhelming in scope, complexity, technical details, importance and controversy. The existing staff is challenged enough orchestrating the economic

⁶Tax and spend criticisms of the economic package have overwhelmed your investment/competitiveness message. Few voters understood the economic stimulus package, or its relationship to your agenda, or its importance, and in part as a consequence, it lacked public support. For many weeks, some important criticisms of the BTU tax have not been answered, few voters understand it, its relationship to the tax/budget agenda, its importance, its true costs, or expected benefits.

⁷HRC's and Ira Magaziner's speeches on May 26th were excellent first steps. It may be, however, that arguments as to better health care, personal security, and competitiveness deserve as much emphasis as populist arguments.

package. Unless the entire economic package has already been adopted and the health care package becomes the primary focus of existing staff, a focused supplemental staff for the health care package should report directly to HRC and you, but be coordinated with the existing staff. That structure should provide the focused attention the health care package will require, and free the existing staff to focus on everything else.⁸

4. You need to reassert your command and America's leadership in foreign affairs.

America must reassert foreign policy leadership and credibility in the use of force that weeks of indecision on Bosnia have damaged, or else face ever greater challenges abroad.⁹ From Serbia to Iraq, many leaders remain ready to take advantage of American weakness or a reluctance by us to use force when necessary.¹⁰

Saddam Hussein may soon provide the Administration with the opportunity to be decisive on foreign policy. If it is established that Iraq attempted to assassinate President Bush and/or Iraq violates United Nations Resolutions and/or attacks the Kurds, then America must act decisively and quickly. Americans will support prompt, necessary action if it is properly explained and the Congress is consulted, in the same way as Americans supported the Gulf War.

⁸I suggest that you ask Paul Joffe to undertake a major assignment in this regard.

⁹Foreign policy success often gives Presidents strength and stature on domestic matters as well. Foreign policy failure or weakness often bleeds the President's domestic agenda.

¹⁰Iraq may have attacked Kuwait in part because of signals that the U.S. would not react firmly. Historians have written that China and North Korea attacked the South when the U.S. indicated that it would not defend.

Moreover, if the new European-American policy on Bosnia will greatly reduce Serbian shelling, atrocities and killing, then it is a qualified success compared with the past and current situation.¹¹ If and when the Security Council adopts the joint strategy, hopefully with monitors on the Serbian border regardless of Serbian objections, you should deliver a nationally televised speech. Americans do not understand the strategy about to be implemented, especially in view of prior strategies that were announced but were not implemented, and can be persuaded that important principles require limited American involvement.¹² If you describe to the public America's persistence in prodding the Europeans to adopt any response at all to Serbian outrages, it may be honestly possible to recast the Administration's waffling as precisely the flexibility and creativity that led to

¹¹It is unclear which nation is limiting U.S. air protection to the UN peacekeepers and not to the safe havens themselves. I believe you should continue to press for a more principled and aggressive lifesaving strategy, including protection of the safe havens and eventual implementation of the Vance-Owen Plan. Appropriately educated, America will support protection of the safe havens and contributions of peacekeeping forces. If we fail to protect civilians, as President Bush failed to protect the Kurds, your Administration will receive greater criticism, and lose further credibility and stature.

It was disciplined and wise to allow Secretary Christopher to announce the agreement on Bosnia while you focused on the economy and the insurrection of conservative Democratic Senators on the budget/tax package. Save your public presence as much as possible for "closing deals", at the appropriate time, that the Secretaries of State, Defense or Treasury develop and present to you, and for national forums.

¹²In my prior memorandum, I observed that The White House often appears to be on a limb of uncertain strength, with little preliminary groundwork or political support for its initiatives. The Administration's positions and predictions on Bosnia exemplify this error. The President of the United States cannot afford to ruminate in public, float trial balloons, stake out positions that are d/o/a, or predict actions by allies that do not come to fruition. The appearances created are of indecision, weakness, wishful thinking, waffling, inadequate staff work, and a willingness to publicize matters prematurely. Such conduct undermines the Administration's stature and credibility. There is a lot to be learned from President Reagan's know-nothing public decisiveness and clarity.

the French initiative, to European-American cooperation, and to a real prospect of lifesaving action. The goal of a more principled solution to the Bosnian dilemma should not be abandoned, however.

Conclusion

Your victory in the House on the budget/tax package and your success on the CBS Town Meeting should not obscure continuing difficulties. These successes provide you with the opportunity and strength to rebuild the Administration's stature with the public and with Congress in time for the more difficult budget/tax package vote in the Senate.

You and the entire Cabinet should seize this opportunity aggressively, and refocus on the economy with even more diligence. Undoubtedly, the Administration will exercise greater sensitivity to the debilitating effects of actions or messages which clash with the electorate's understanding and expectation of you. It is especially crucial now to present the Administration's vision and initiatives more adeptly, coherently, persistently, and persuasively.

RSR/ams

Enclosures

cc: Honorable Hillary Rodham Clinton (w/encls.)

GETTING THE ADMINISTRATION'S PROGRAM THROUGH CONGRESS

1. Establish a core team responsible for Congressional relations on a bill. Determine whether the lead is in the White House, a Department, or elsewhere. Determine who has responsibility for media, for interest group outreach, for policy. The principals of the core team should meet or be in touch regularly to carry out the other steps. Staff for the core team should keep track of day to day basics -- be sure phone calls get returned by the right people, that requests for help get follow-up, that thorough computer files are maintained on legislative involvements of each member of Congress.
2. While preparing the bill, keep key members of Congress in the loop and take soundings throughout Congress and with interest groups, opinion leaders, and the public.
3. Coordinate the "outside effort" and the "inside effort" to produce the necessary votes at the key points in the legislative process. The outside effort involves media relations, group and public outreach, and Presidential and other leadership events. The inside effort involves steps such as evaluating the agendas and needs of members of Congress, and negotiating with members. Some events, like Congressional hearings, blend the inside and outside efforts.
4. Plan an outside effort that has a few clear themes and a positive message and use it to lay the groundwork long in advance of the culminating events of the inside effort. It takes time for the outside effort to affect the inside effort.
5. Link the outside and inside efforts by identifying key allies in Congress and opinion leaders and groups that will reinforce the message and deliver it to members of Congress. Keep in continuous contact, providing and receiving suggestions and information on such matters as message, responses to criticism, updates on developments, and most importantly, responses and positions of members of Congress.
6. Identify tactical legislative considerations, such as parliamentary rules, overlapping committee jurisdictions, and House-Senate differences, and plan how to deal with them.
7. Canvas the concerns of individual members of Congress early and often. Do this with groups of members, through staff, and one on one with members. Coordinate these and other efforts with Committee chairmen and Congressional leadership. Be responsive to members' agendas and needs. For example, include members in Presidential events on issues with which they have been involved. Provide technical and other help to members and Committees that takes into account the problems and constraints they face and helps address them.

8. Ask friends in Congress to help and doubters not to harm. For example, senior Administration people should ask Administration friends to help with other members, with the media, and in speaking out in hearings and on the floor. Ask the doubters not to do harm. Ask them to work with the Administration to fix their concerns and not go public with opposition. Keep talking to them so communication does not break down.

9. Answer major criticism. Focus both the outside effort and the inside effort on rebutting the critics as well as communicating the positive message. This may require a fairly elaborate effort, involving polls, expert studies, op ed pieces, letter writing campaigns, and group and opinion leader contacts.

10. Make needed modifications at the right time. The right time is whenever is necessary to maximize votes with the minimum necessary modification of substance. That may mean early if early enables you to stay ahead of opposition efforts. It may mean late if late means the critics' incentives to settle are highest then. Avoid concessions that bring no sure votes in return.

11. Remember that the goal is to get the votes needed to pass the bill. Keep working to increase the number of committed votes, and, as key legislative steps approach, focus on the holdouts. There must be an expectation that after all the base touching and negotiating and modifying, there will be commitments. The Administration's lead legislative team must close with those previously uncommitted. The White House and the Congressional leadership must know, in the well worn but useful Capitol Hill phrase, "where the votes are."

May 25, 1993
Paul Joffe

ENDS AND MEANS: A NEW GOVERNING STRATEGY FOR A NEW ADMINISTRATION

by Paul L. Joffe

Referring to Bill Clinton's call to Americans to "be faithful to the ideals of Jefferson and Washington," Time said in its post-election issue that the President-elect "knows invoking his predecessors is the way to America's heart." This paper argues that realizing traditional American ideals remains the best goal for the new Administration, that invoking that goal is the best way to mobilize the nation for change, and that a long-term strategy to achieve that goal is needed.

The goals of strategy or "the vision thing".

The country cannot achieve a good future unless the country has some idea what it wants the future to be like. This is why people were dismayed about George Bush's dismissive attitude toward what he called "the vision thing."

The President-elect and the Democratic Party have not had this difficulty with vision. In his acceptance speech, Bill Clinton said, "We offer our people a new choice based on old values." These values, he suggested elsewhere in the speech, include "freedom, democracy, individual rights and free enterprise." At another point he referred to "Old-fashioned Americans for a new time. Opportunity. Responsibility. Community." At still another point, he talked about "putting people first." Senator Gore criticized "a government out of touch with our values and beholden to the privileged few."

Bill Clinton's appeal to "a new choice based on old values," echoes a long line of great Democratic leaders. Woodrow Wilson said in his first inaugural, "At last a vision has been vouchsafed us of our life as a whole. . . . We have made up our minds to square every process of our national life again with the standards we so proudly set up at the beginning and have always carried at our hearts. Our work is a work of restoration."

Franklin Roosevelt placed his program in the context of the historic struggle against tyranny. For FDR, the story of American history was the struggle of democracy against tyranny, the struggle of politics for the many against politics by and for the few. FDR argued that he was on the side of traditional American values while his adversaries were not. In his famous attack on the "economic royalists," he said that they "complain that we seek to overthrow the institutions of America. What they

really complain of is that we seek to take away their power. Our allegiance to American institutions requires the overthrow of this kind of power. In vain they seek to hide behind the Flag and the Constitution. In their blindness they forget what the Flag and the Constitution stand for." Roosevelt called for a return to a tradition that provided a counterweight to unrestrained emphasis on material wealth. He asserted that the way to "restoration lies in the extent to which we apply social values more noble than mere monetary profit."

John F. Kennedy said "we stand today on the edge of a New Frontier. . . a frontier of unknown opportunities and perils." He contrasted the New Frontier with the promises of a new political and economic framework in the New Freedom and of security in the New Deal: "The New Frontier of which I speak is not a set of promises--it is a set of challenges. It sums up, not what I intend to offer the American people, but what I intend to ask of them. It appeals to their pride, not their pocketbook--it holds out the promise of more sacrifice instead of more security. . . Can a nation organized and governed such as ours endure? That is the real question."

Implicit in JFK's appeal is the idea that we must meet the unknown perils in order to preserve old, cherished American ideals, echoing Lincoln ("can a nation. . . governed such as ours endure") and Roosevelt (appeal to "their pride, not their pocketbook" harks back to "social values more noble than mere monetary profit").

A recurring theme in these calls to return to old values is an appeal to balance material values with other values. Political scientist Hugh Heclo said that Reaganism urged "Americans to dream dreams but these are necessarily dreams of private advantage, not public accomplishment. Any ideology of negative government is likely to fall prey in the history books to the collective tasks left undone. . . ." It is the fate of our strange, contemporary conservatism that in attacking the Democratic past, it diminishes a very old American tradition. It is a tradition at least as old as the quest for material abundance. The material quest for abundance and moral quest for a secure and just society are both fundamental aspects of the American character. In times of stress, temporary victories are won by emphasizing one or another of these goals. In the long campaign of history, however, we ignore the need for balance at our peril. Our unwritten constitution requires a balance of purposes as well as a balance of powers.

In his acceptance speech at Madison Square Garden, Governor Clinton identified new policies to restore this old American tradition of balance -- not material interests first but people first, concern for community values as well as individual interests, public action as well as private, a government that is

not "hijacked by privileged, private interests."

Presidential themes connect the ends and means of governing.

A leader in a democracy must be both a leader and a follower. He must reflect public opinion and the public mood as well as lead it. He can seek to persuade the public and thereby alter public opinion, but he does this in a dialogue with the public. He uses words, but also deeds -- developing his agenda and his priorities, and carrying out his program.

These things must convey a sense of overall direction for the country that is responsive to the public will and mood. This is so because of democratic principle but also because of the need to mobilize the public to move the political system toward the goals that are sought. In a free society, the public is the ultimate engine of change, but leadership can offer a vision of the future to inspire the public.

In developing themes to point a direction for the country, the new President faces a dilemma. The margin of the victory suggests that he will want to emphasize the normal effort to reach out in a nonpartisan way to broaden his support. On the other hand, the Republicans may be expected to look for early opportunities to criticize. The votes were barely counted before the Senate Republican Leader was suggesting that he would challenge the new President and that he would represent the majority of the country that had voted for either George Bush or Ross Perot. The Republican era has left in its wake many economic and social problems, and, ironically, the Republicans will now use the difficulty of grappling with the problems to attack Democrats. So the public argument of recent decades between Democrats and a Republican Party dominated by its conservative wing has not vanished into an era of good feeling.

The new President will be prepared to reach out to all in a spirit of accommodation, but he will also be prepared to counter partisan attacks, as he did during the campaign. Here the appeal to the American tradition made by his Democratic predecessors, and in his own acceptance speech, will serve him well. Such an appeal helps resolve the dilemma of seeking broader support while repelling attacks, especially from those who claim a monopoly on patriotism. The President can identify himself with broad values shared by most Americans and can counter the attackers as those who have strayed from the mainstream of tradition.

The overall direction suggested for the country, based on an appeal to American ideals, might be summarized as revived opportunity available for everyone and revived national strength. This incorporates the Wilsonian and Rooseveltian appeal for justice and democracy and Kennedy's appeal for national

achievement and pride. As Governor Clinton put it in his acceptance speech, "We can seize this moment, make it exciting and energizing and heroic to be an American again." The suggested appeal to the country might be boiled down to one theme -- the once and future greatness of America. The theme of America's once and future greatness is an appeal to authentic patriotism. The appeal can perhaps best be communicated to the public as a story repeated again and again. The story is this:

The history of America has always been the history of preserving our basic values in the face of changing times. Changes in the world keep giving those who would oppose our basic values new opportunities to do so. Twentieth century America has had great successes. But in recent years we had a policy of drift. The world has changed but we have not kept pace. We have drifted into peril. We have seen our ideals tarnished. The central issue of our politics is who really stands for the American tradition of democracy, individual fulfillment, justice, and national achievement.

For a decade, the Republicans have said they are for (a strong economy, the family, community, low taxes, etc.) but instead what we have gotten is the opposite of what was promised in each case. How could they say these things and do something else? They gambled that this was a way they could get a government of all the people to do things for the privileged few. But the results are now becoming clear. The tide has turned. People saw that we had drifted into peril. People saw that we had strayed from American traditions. If we recognize that and act, there is still time to change course, to come to grips with a changing world, and to restore America's ideals, her traditions, and her greatness.

The foregoing approach draws on previous Democratic themes but provides a new and broader emphasis. There is an echo of JFK's appeal to America's determination to meet new challenges, but with an explicit call to do so to preserve traditional American ideals. These ideals include traditional Democratic emphasis on economic security and justice and democracy. This reflects FDR's theme that American history has been a constant struggle for democracy. But the focus widens to a struggle to preserve the full range of American ideals.

Developing a new strategy.

Knowing where one is going is one thing. Getting there is something else. While George Bush seemed uncertain where he was going and some presidents seemed uncertain how to get where they wanted to go, the Reagan administration knew something about strategy. Ronald Reagan's budget director, David Stockman, was said to have liked the implications of the huge 1981 tax cuts

because they put a tightening noose around the size of the government. That was a long-term strategy with such lasting impact that its effects are still felt and could create difficulties for years to come. Reflecting on another strategic issue, Reagan himself is supposed to have remarked that "It's far easier for people to come to Washington to get their social programs. It would be a hell of a lot tougher if we diffuse them and send them out to the states."

Conservative political scientist Aaron Wildavsky has enthused about President Reagan's prowess as a political strategist. Wildavsky refers to "the sheer strategic brilliance" of Reagan in getting Walter Mondale to press for tax increases, budget balance, and limited government, while Reagan used "the current imbalance as the only effective ceiling on spending" in half a century. According to Wildavsky, Reagan used tax cuts to deprive Democrats of money otherwise "available for their favorite causes." Reagan "deprived Democrats of their previously most potent instruments of public policy."

What we see in the Reagan policy of exploding deficits is a long-term strategic approach to governing. A long-term strategy seeks to change structures and attitudes to produce a chain of consequences that moves the country further and further in a given direction. We may find the Reagan strategy perverse in saddling the country with a long-term burden that must be overcome if government is to play a constructive role. But however wrong in substance, the Reagan approach was one of long range strategy. This approach has not been the sole province of conservatives. Others have looked ahead with a strategic perspective. Franklin Roosevelt told Frances Perkins that despite the objections of economists he wanted Social Security paid for with a payroll tax. He predicted it would come to be viewed as something people were entitled to, and he said he wanted it that way so "no damned politician can ever take it away."

A strategy is simply a conscious and systematic way of relating means and ends to maximize desired results. For political leadership, the strategic means include parties, coalitions, institutions, communications media, and choices and policies about budgets, personnel, and programs.

The key to developing strategy is identifying the goals and working out the relationships among the means. For example, there should be an agenda with elements that support each other, with each element making the achievement of the others more likely. The strategy should reflect consideration of relationships in time, so that priorities are set and the groundwork is laid in the present for success in the future. Goals should be articulated and action taken in a way that will help mobilize a public consensus on behalf not only of present

steps but future items on the agenda. In short, the strategy should clarify what has to be done, when, with what personnel, resources, and organization.

A long-term political strategy for the new President and the new Democratic Party would be very different in substance from the Reagan strategy. If the goals include making opportunity available to everyone, restoring the importance of community, and reviving national achievement, what are the basic changes that might be needed to achieve those goals?

A Democratic governing strategy.

It is sensible to begin where the Democratic Party has begun in recent years -- with recreation of a coalition supporting change. Here, the premise of Democratic strategy has been recognition that strong middle class support is necessary to restore the American ideal of opportunity for all. Democrats have emphasized efforts to relieve the middle class squeeze. This means, in part, addressing the major financial pressures on the middle class -- health care, education, retirement, and good jobs at good wages. Good jobs at good wages leads to another group of agenda items on the economy. The vision of a restored middle class and of opportunity for all and of a society comfortable enough to look beyond just comfort to other values depends on a new approach to economic policy.

The country has learned in the last decade, that there are various ways of approaching economic growth. Economic policy illustrates how elements of the Democratic agenda can reinforce each other and how present action can affect the odds of future success. For a decade we have seen a policy that sought growth and competitiveness through falling wages. It sought economic strength for a few and for exclusive neighborhoods, but neglect for many and for our great cities or rural areas in decline. It sought an economy based on keeping fewer good jobs here and moving more good jobs abroad. By contrast, Democrats should establish high wage growth which in turn will help ensure greater equality and a restored sense of community. Democratic economic policy should restore our national pride as a world leader by arming our people with the educational tools and technology to enable American labor and business to retake the lead in the markets of the world.

As the Democratic Presidential campaign understood, strategy requires the restoration of the middle class as a key element in a coalition supporting progressive policies. Polls refute the notion that the middle class begrudges assistance to those less fortunate. Middle class people resent having their money spent on waste, fraud, and abuse. The Reagan strategy was to build a reactionary coalition between the affluent and the middle class

by exploiting resentment based on charges of government waste. A Democratic agenda that addresses the needs of middle class and working people, but which also includes such measures as welfare reform and effective urban aid, could restore a progressive coalition drawing support from all income levels.

The key point in all of this is that these different elements of strategy can be mutually reinforcing and if timed correctly can create a chain reaction that increases the odds of success over the long term. The purpose of long-term strategy is to think through how to do that. The outlines of such strategy are taking shape, with initial emphasis on economic growth, with attention to removing the albatross of the budget deficit but timed so as not to detract from immediate stimulus, and with a start on addressing the social deficit but done in a way that takes into account the funding that would be available at different levels of economic performance. The need is to keep looking ahead, keeping in mind the relationships among actions and keeping in mind their timing, so as to increase the odds of successful steps in the future.

In thinking about long-term strategy, it might be useful to have in mind the kind of long-term changes needed to better achieve America's ideals. Political scientist Robert Dahl has suggested that a reform agenda must consider the interaction of public attitudes, the distribution of resources, and the shape of institutions. To achieve over a decade and more, for example, a greater emphasis on the value of community, Dahl's approach might suggest a number of points. With respect to institutions, strategy might include a restoration of our neglected and deteriorating public schools. It might mean transferring the successful experience in agriculture of local cooperation among government, universities, and business to cutting edge industry or urban development. With respect to resources, it might mean restoring fairness to the tax code and fostering a high wage approach to growth instead of one that emphasizes cutting costs by relying on low wage foreign suppliers. With respect to public attitudes, it may mean strengthening community-minded sentiment by showing that the institutions and resources of the community can work successfully to better the well-being of families and individuals.

High wage growth, greater equality, strengthened and more effective community institutions such as schools and police, restored middle class support for progressive reform, increasing community minded attitudes among the public -- all could be mutually reinforcing in a long-term strategy to move America toward the goal of restoring fundamental, traditional American ideals, including opportunity for all and revived national strength.

Some previously might have said that such long-term strategy

is impractical. But the impact of the Reaganite long-term , reactionary strategy of exploding budget deficits demonstrates that the realists are those willing to look far down the road. Not every moment of every day can be devoted to thinking about the impact a decade and more from now, but long-term strategy should always be in the back of the mind of the President and the nation's Democratic leadership.

Perhaps the best precedent for long-term strategic thinking is an example we have before us at all times but sometimes fail to see. The practical people who set up our government had a long-term strategy. They hoped they could structure the government so that the interplay of real world political forces would protect and advance a tradition of liberty and justice. The experience of the Democratic Party shows the continued support of the American people for a leadership committed to finding a way -- to finding a strategy -- to preserve our fundamental values. That is why, historically, the success of the Democratic Party is identified so closely with the success of the American experiment. JFK said, we must bring "our party back to victory and our nation back to greatness." The challenge is to continue the great tradition in which those two remain bound together.

November 12, 1992

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THE FRAMEWORK OF HEALTH CARE REFORM

The Health Security program is a distinctively American synthesis. Like national insurance systems abroad, it provides universal coverage of a broad set of benefits. But unlike most other systems, it allows for consumer choice among private health plans.

Like other systems, it calls for nationally set limits on the growth of health costs. However, it has a distinctive emphasis on helping consumers get value for money by requiring health plans to compete for enrollment on both price and service. The program seeks not only to restrain costs through competition. Equally important, it also establishes a new system of quality monitoring and improvement to hold health plans and providers accountable for access to services, the outcomes of care, and consumer satisfaction.

When other countries adopted their national insurance systems, they built on institutions that already existed. The Health Security program is true to this pattern. Although it breaks with many entrenched practices in the private insurance market, it builds on the integrated health plans, new methods of

quality improvement, and other reforms that have been developing in both the private and public sectors in America. Many elements in the new system already exist; reform puts a new framework around them.

The program also reflects American experience in its federal structure. Although the framework of coverage, benefits, consumer protections, and financing is national, the states have the opportunity to play a major role in organizing the system and adapting it to their own circumstances. A state that prefers to adopt a single-payer system can do so, as long as it complies with budget limits and national guarantees regarding coverage, benefits, quality of care, and consumer rights.

The program's balanced use of regulatory and competitive mechanisms and its openness to state-initiated variations defy convenient pigeon-holes. Ideologists and purists will be disappointed. Yet, while the program borrows ideas from different models, this is no weak middle ground. It is a bold program of reform, grounded in the hard lessons of experience that lesser measures to control costs and expand access have not worked.

Ten Key Judgment Calls of Health Reform

The Health Security program reflects not only the accumulated experience and evidence of recent decades, but a series of judgments about the kind of reform that America needs.

Judgment 1. Cost containment and universal coverage are achievable objectives. The cost of health care is not the result of forces beyond our control. Other advanced countries cover all their people at far lower and more stable costs and with higher levels of public approval (not to mention longer life expectancy). In some states and communities in the United States, from Hawaii to Rochester, N.Y., coverage is nearly universal and costs are below the national average. The difference lies in institutions.

Much research has demonstrated the excesses in the prevailing system: we train too many specialists, overbuild high-cost facilities, perform more tests and procedures than are good for our health, and maintain billing and administrative arrangements of numbing complexity. Nowhere else in the civilized world do small employers buy health insurance at an administrative cost of 40 cents on the premium dollar.

At 14 percent of GNP and rising, the American health care

system is consuming enough resources to provide universal coverage. As in other countries, the same financing discipline needed to make access affordable can keep health costs in line with the economy.

Judgment 2. Reform has to be comprehensive. Any program that pursues broader coverage to the exclusion of cost containment will rightly be seen as irresponsible. Such a program could never be sustained if it could ever be passed.

Similarly, any program that pursues cost containment to the exclusion of broader coverage will rightly be seen as inequitable. The burdens would fall on the most vulnerable, as providers cut back on uncompensated care.

Comprehensive reform means controlling private as well as public costs. If we were only to control the cost of government programs, providers would shift those costs to private payers (as they do today when Medicare and Medicaid payment rates are held down).

Comprehensive reform means addressing the sources of the system's excess: it means shifting government support for medical education to promote training in primary care rather than the specialties. It means setting new standards for claims forms,

benefit packages, and payment to simplify the system's complexity and cut administrative costs. It means creating larger purchasing pools to spread risks and give the buyers more clout.

Universal coverage is not an optional element: there is no way to hold together a coalition for cost containment without a guarantee of coverage for all. There is no way to assure security even to the middle class without filling the gaps in coverage. There is no way to carry out welfare reform if taking a low-wage job means losing health security.

Minimalist alternatives will not be sufficient. Insurance market reform--though a needed component of the overall package--won't control costs or achieve universal coverage. While curbing some of the most egregious practices such as exclusions of pre-existing conditions, insurance market reform does nothing to address the deeper problems that make health care more costly in the United States than anywhere else.

Providing barebones coverage--another minimalist option--has political and economic drawbacks. Attempts by nonprofit foundations and some states to promote minimal coverage for the uninsured have flopped: the public won't buy the policies. Barebones coverage also leaves the basic problems of the system intact. Such policies do not correct the overemphasis on high-

cost procedures, overproduction of specialists, and high administrative costs. Catastrophic insurance (that is, coverage which kicks in after a high deductible, say, \$1,000) tends to discourage use of preventive and primary care, but once the beneficiary is past the deductible, it puts little check on the most costly services.

Judgment 3. A pure free-market solution will not work in health care. Some advocates of the free market believe that the public is "overinsured" and would like national policy (particularly tax policy) to encourage people to buy insurance policies with higher deductibles and copayments to discourage utilization and bring down costs.

The premise of the free marketeers is that the key to cost control is individual choice and cost-consciousness at the point of seeking medical care. However, patients cannot readily shop around comparing prices; they generally don't feel they know enough even to ask the right questions. When they first seek advice, people usually don't know what their care will ultimately involve, much less cost; and once they are in the middle of treatment, changing providers is often infeasible. Particularly when they are hospitalized, the treatment is in the hands of their doctors and other professionals; price-conscious purchasing is impossible ("Nurse, before I get that MRI, could you check

around town for the best buy?").

In health care--unlike most other industries--the providers, not the consumers, shape the demand for the most costly services. This reversal of the normal market relationship has critical implications for any strategy of cost control. The volume of services and hence total costs depend on the number, characteristics, and incentives of the suppliers. Under the current system, the greater the supply of hospitals and specialists, the higher are the costs. That recognition must underly the strategic focus of reform. To create cost-consciousness, reform needs primarily to alter the decision-making environment of the organizations and professionals that provide care.

There is little doubt that high patient cost-sharing would cut costs, if we could make it stick.¹ But, as Medicare shows, attempting to impose high deductibles and copays in a general program is likely to be a fruitless effort. The majority of Americans will buy additional coverage to reduce the cost-sharing; utilization will then go up. Today, some of the elderly even buy two or three duplicate policies. From an economic standpoint, these are poor choices. But because they feel

¹ High patient cost-sharing, however, would cut costs by reducing needed as well as unneeded care.

vulnerable in the face of staggering medical bills and an incomprehensible insurance system, many people are not willing to risk any exposure to health care costs.

This sense of vulnerability limits the appeal of free-market remedies. The public understands the need for cost containment. But people who feel vulnerable and insecure will distrust any program to control costs that seems to put them at risk. The free-market approach, ironically, fails its own test: it doesn't sell.

Judgment 4. A pure governmental solution to health care costs and coverage will not work in the United States. Support for a government-run insurance system extends beyond the usual perimeters of the left. Encouraged by the example of Canada, much popular and elite opinion is drawn to a single-payer system as the cleanest, most easily understood, and complete solution to the health care crisis.

Leaving aside political feasibility, there are several basic objections to a single-payer system on a national scale. The first is fiscal risk. Medicare alone is a threat to the federal government's solvency; to transfer all private health coverage to the federal budget would be daunting. In any given year, a single-payer system that exceeded spending forecasts could have a

devastating fiscal impact.

Furthermore, it is hard to share the confidence of the single-payer movement that a Canadian-style system in the United States will produce Canadian-style costs. Combining Canada's fee-for-service insurance with America's excess hospital capacity, overinvestment in technology, and oversupply of specialists may well generate costs at America's level, not Canada's. Since costs in the Canadian system have grown as rapidly as ours (they started from a lower baseline), it is not clear that a similar system would cut the rate of growth here.

Excess capacity in the U.S. health system is the fundamental problem that confronts a Canadian-style alternative. Squeezing out excess capacity is not an easy thing for government to do; it is probably harder to shut a hospital than a military base. In recent decades, states have even found it difficult to close psychiatric hospitals that were virtually empty. One advantage of a competitive system is that it creates incentives for private organizations to do what government cannot easily do itself: consolidate facilities, increase the employment of primary-care practitioners relative to specialists, gear payment to performance.

A competitive system also provides for more decentralized

organization. Under a single-payer system, the government planners must make the right decisions. If they are wrong, everyone suffers. Under a competitive system, each health plan has its own planners. If they are wrong, their organization may lose ground, but other organizations may discover better solutions. Like any market, a competitive system of health plans is more susceptible to self-correction.

Judgment 5. A reconstructed market in health plans--backed up by nationally budgeted limits on the growth of premiums--can control costs. Between the extremes of a pure, free market and a wholly governmental insurance system lies another alternative: a reconstructed market with new rules, incentives, and limits. This is the path of the Health Security program.

This approach differs from the free-market remedy in critical ways. It does not shift back upon consumers a greater share of costs in the hope they will desist from using care; it does not count on consumers to make economizing choices when they are ill. Rather, this approach guarantees consumers broad coverage; it then gives them the opportunity to reap the savings if they choose a health plan that provides that coverage at lower cost and asks them to pay the difference if they prefer a more expensive plan. In other words, reform first seeks to create a foundation of security and then introduces cost-consciousness not

at the point of sickness but at the time of selecting a plan.

The approach rests on the conviction that integrated health plans can do better than the prevailing, fragmented system. Such plans now deliver high-quality services more economically than traditional unmanaged indemnity insurance. But they have done so in a financing system that often does not reward efficiency because employers as well as government have typically paid more (or provided a higher tax subsidy) for health insurance plans that cost more. Furthermore, the majority of employees have no choice among alternative health plans. If the system begins to provide choice, reward efficiency, and spur competition, such plans will grow and have the stimulus to achieve even greater productivity gains than they have shown thus far.

However, should the plans fail to keep down premiums through the spur of competition, the program has a back-up system of budget controls. The budget kicks in when the average rate of growth in health plan premiums in a region threatens to exceed a nationally set index rate.

The basis for believing that competition can control costs and that, if competition fails, a budget can check increases is partly direct and partly indirect. Some of the direct evidence comes from research on health maintenance organizations and other

plans that provide comprehensive coverage for a fixed amount ("capitation") per enrollee. These organizations--the most successful in controlling costs in the U.S. today--illustrate the potential of both competition and budgets. On the one hand, the plans now compete effectively on price and service. On the other, they already provide broad coverage under a hard budget constraint (determined by their enrollment and capitation rates).

The savings potential of such plans is explored in an another paper (see "....."). The point needing emphasis here is the compatibility of three elements of reform: competition, budgets, and accountability for quality. Capitated health plans fit readily into a budgeted health system because they are budgeted systems. Moreover, the very nature of capitation payment focuses accountability for total cost and quality of service on a single organization, as opposed to the prevailing system where responsibility is diffused among insurers and sundry fee-for-service providers.

Capitation payment and budgets fundamentally change the outlook of health care managers: Under the conventional insurance system, the managers look at a hospital as a revenue center. Under capitation payment, they look at a hospital as a cost center. Budgets reinforce the shift in attitude. Instead of bending their efforts to milk the reimbursement system, managers

have to discover how to cut their costs and raise productivity.

Capitation plans are also better organized than conventional insurers to improve quality because they are responsible for the provision of care as well as payment. The new information-driven quality system will press them in that direction even more.

Although HMOs and other integrated plans are likely to expand under the new system, the Health Security program also includes more conventional fee-for-service options. Perhaps the most common misunderstanding is that the program aims to force people to enroll in HMOs. That may be true of some earlier managed-competition proposals. However, unlike those proposals, the Health Security program attempts to keep fee-for-service plans viable.

Fee-for-service plans come in two varieties: those that have contracts with networks of providers and those that do not. The fee-for-service networks can respond to the competitive challenge of HMOs by working with their physicians to control costs. The fee-for-service plans without networks (conventional insurance plans) are subject to state rate-setting to keep their premiums consistent with the budget. The states can also run such plans like a German sick fund--that is, adjusting rates through the year to keep total costs within budgeted limits. Whichever method

is used, fee-for-service is likely to be kept at a more affordable premium than in the present market.

Furthermore, the higher cost-sharing for fee-for-service (particularly the 20 percent coinsurance for hospital care) is likely to keep down any advantage that HMOs have in premiums. Some other aspects of reform, notably risk-adjusted payment to plans, will tend to reduce disadvantages that fee-for-service insurance now faces in the marketplace. Thus, Health Security actually preserves fee-for-service at a time when it is threatened with extinction.

Some advocates of a competitive model are opposed to fee-for-service rate-setting and to the imposition of any overall budget on the system. They object that such regulatory controls are not only unnecessary, but damaging to the competitive process.

There are three reasons to prefer competition under a budget to a competitive system without a budget. First, broad areas of the country do not yet have vigorously competing health plans; some may never have competition because of the low density of population. The budget will be especially vital in those areas to set limits on costs.

Second, although rate controls on fee-for-service may reduce the initial price advantage of some managed care plans because they may no longer enjoy favorable provider discounts, they still will have the ability to compete through better controls on the volume of services. As long as rate-setting is confined to non-network physician payment and does not interfere with the plans' ability to negotiate contracts with physicians, it should leave integrated health plans free to compete effectively.

Third, there continues to be too much dispute in expert opinion about the potential savings from competition to rely entirely on competition to control costs. The CBO's inability to score savings from managed competition illustrates the problem. CBO acknowledges the power of the argument for managed competition, but it professes to be agnostic about the magnitude of savings for lack of definitive evidence. Yet, it is willing to score savings from budgets and rate-setting, even though many might argue that the evidence is no more definitive. It is useless to rail against this scoring decision as unfair. Cost control measures must not only work; they must also be scored as working. The Health Security program's dual reliance on competition and budgets to control costs responds to this reality.

Judgment 6. A new system for purchasing and budgeting health

Coverage is critical to bringing down costs. The new system will be liable to severe problems and probably impossible to carry out without the establishment of new organizations for purchasing and budgeting: the regional health alliances (known in other proposals as health insurance purchasing cooperatives).

The alliances perform several functions. First, they pool risks among their member employee groups and individuals and provide them the benefit of economies of scale. No longer will some people pay more for the same coverage simply by virtue of working for a small firm or because they are divorced or widowed and must buy coverage individually.

Second, the alliances empower the purchasers--employers and consumers--by constituting a single purchasing organization to negotiate with plans over service and price. The purchasers of health care have historically had little influence; the alliances are designed to represent their interests and give them a critical role in the flow of dollars. One way to control costs is to give more control to the people who pay. But the function of the alliances is more general: to create an independent voice and venue for consumers in a system that has traditionally been provider-controlled.

Third, the alliances help to prevent health plans from

profiting by enrolling healthy people and avoiding the sick. If plans are able to sign up individuals directly, they will seek the most favorable health risks. That is exactly what happens today; under community rating, the incentive to skim off the healthy is even greater. Thus it is vital that the alliances conduct the annual open enrollment independent of any plan; that the alliances provide independent information to consumers about their alternatives; that the alliances monitor disenrollment from plans to make sure that plans are not casting off high-risk patients; and that the alliances risk-adjust payments to plans to minimize any advantage from skimming or any disadvantage from enrolling high-cost subscribers.

Fourth, the alliances are as critical to the success of budgets as they are to the success of competition. The more firms that are outside the regional alliances, the more difficult it will be to make the budget work. At 5,000 employees, the number of firms operating their own systems is small enough nationally to be monitored. If the threshold for a corporate alliance were to come down, the number of firms outside the regional alliances would multiply. If firms with 100 employees or more were allowed to run their own systems, there would be more than 100,000 firms to be monitored; budgets would be unenforceable. One reason we cannot budget the system today is that there is no infrastructure to do it; the alliances provide the missing platform.

Finally, the alliances decouple employment and health coverage. Their individual and family accounts consolidate premium payments from different jobs and multiple earners in a family. Because health plans will no longer be a matter of employer choice but of individual choice, changes in employment will no longer produce discontinuities in coverage. The old model of employer-provided insurance fit a society where families had one earner with one stable, long-term job. In today's world, that structure no longer fits; coverage through the alliance makes more sense.

Judgment 7. The federal government must guarantee a broad benefit package. Any reform that seeks to assure security for the middle class and win broad public backing cannot ask people to step down to a lower level of coverage than they now have. To be sure, benefits have to be weighed against costs. But a competitive system will, in fact, work better if the package is relatively uniform and comprehensive.

A uniform scope of benefits, with a limited range of variation in cost-sharing, is vital to getting plans to compete on price. The myriad variations in benefits, differences in definitions, and complex limitations and exclusions typical of health insurance today make it virtually impossible for consumers to compare policies. Standardization is essential for price

competition.

Part of the issue is psychological. If consumers are worried that a less expensive plan is cheaper only because of hidden exclusions, they won't feel safe opting for a lower-cost alternative.

Furthermore, if insurers are free to design coverage, they will tend to design policies that attract the healthy and deter the sick. The result will be to make more scarce the kind of coverage that many of the sick need.

Finally, a system that provides only minimal benefits must be designed with the expectation that there will be extensive purchase of supplementary coverage. Under Medicare, 90 percent of beneficiaries either buy Medigap insurance or are poor enough qualify for Medicaid. In both cases, the supplementary coverage reduces patient cost-sharing and raises utilization under Medicare. In other words, except for a small minority of beneficiaries, the cost-control impact of lower levels of coverage is vitiated. Supplementary coverage is the rock on which the ship of minimalist reform almost unavoidably crashes.

Thus, it is not reckless extravagance that leads to a belief in a comprehensive benefit package. The logic is quite the

reverse. Focusing full accountability for costs on a single organization is more likely to control total costs than splitting coverage between a basic package and extensive supplementation.

Judgment 8. A reformed system must rely primarily on mandated employer/employee contributions rather than taxes. Most money for health insurance today is raised through employer and employee contributions. Reform will keep it this way, even though other means might be preferable if we were starting from a blank slate.

Keeping a system financed mainly by employer and employee premiums avoids radical changes in taxes and emphasizes continuity with the present. It avoids transferring the full cost of health care to the public treasury. It minimizes the number of people who will see their costs increase. In particular, it does not threaten the affluent, who would pay much more under even a mildly progressive tax than under a premium system.

Opponents will claim that the employer mandate is a tax because both are involuntary. However, the employer mandate is akin to auto insurance. If you want to drive a car, you must pay for auto insurance. Likewise, under the mandate, if you want to operate a business, you must pay for your employees' health insurance. In both cases, the requirement to buy insurance

prevents free riders from exposing others to higher costs.

Under a mandate, employers and employees as well as other individuals who buy insurance pay only for the value of their premiums. In other words, there is a direct exchange of money for an insurance policy. This is fundamentally different from paying a tax into a fund (general or earmarked) for which there is no direct, individual recompense.

In addition, under the Health Security program, employer and employee contributions will go into individual and family accounts in the health alliances. People will be able to see where their money goes. They will be guaranteed that payments from their accounts go toward their own health insurance and no one else's. At the end of the year, if there are excess deposits, they will get their money back. The public knows this is not the way taxes work.

Judgment 9. A reformed system with price competition and budget controls needs equally strong measures to improve the quality of care. A new system with sharpened price competition and budget controls will excite anxious criticism that the quality of medical care is threatened.

There is, however, no evidence that integrated health plans

provide medical care of lower quality. On the contrary, comparative studies show either no difference or that their quality of care is superior. The potential for cost reduction in the current system is enormous precisely because the system has for decades promoted excessive investment in high-cost facilities and wasteful patterns of practice.

Furthermore, if American industry has learned one lesson in recent years, it is that improved quality and reduced costs come together. Low quality is costly; it is less expensive to do things right the first time than to do them over. Reform will promote the introduction into health care of the methods of quality management that have transformed industry.

However, the Health Security program does not take quality improvement as a matter of faith. It creates a new system for monitoring access to care, the appropriateness and outcomes of care, and consumer satisfaction. The purpose is to focus public and provider attention as much on quality as on cost and to shift current quality assessment programs from an emphasis on process to an emphasis on outcomes.

Because information about the quality of health care is usually unavailable, many people mistakenly equate more treatment and more expensive treatment with better treatment. The new

monitoring system will provide a more accurate basis for assessing quality. That information will be available to consumers when they choose plans, and it will provide feedback to the plans and providers about their performance. As the new system introduces an emphasis on outcomes, benchmarks of superior performance, and continuous improvement, much of the old paper-clogged, process-oriented regulation can be eliminated.

Judgment 10. The states should have primary responsibility for managing reform within a federal framework. Under the current system, many states have taken the initiative in health reform, but legal and political barriers beyond their control have prevented them from moving quickly or fully to solve the problems of cost and access. Federal laws governing ERISA, Medicare and Medicaid, and other programs limit what the states can do. Moreover, individual states cannot readily take the initiative on financing because of the potential out-migration of jobs and in-migration of people needing care if they act alone. Thus, as state health policy leaders recognize, federal action is imperative in defining the framework of reform, particularly financing, coverage, and benefits.

In a highly mobile society, Americans who move often from state to state, as well as companies that operate nationally, also require a more uniform system than would result if each

state followed its own path. Furthermore, if left to themselves, some states would be unlikely to achieve enough consensus to pass the reforms needed for universal coverage and cost containment.

But while the framework of reform must be national, much of the operational responsibility can be decentralized. Because integrated health plans are now almost entirely regional organizations (and probably should remain so), the purchasing of coverage is best kept at a regional level. To be sure, the federal government could set up or designate regional alliances, and federal action will be needed if states fail to pass their own legislation or act quickly enough to set up alliances. But the objective should be to vest primary responsibility with the states so as to allow them to adapt the national framework to their own conditions and make them partners rather than antagonists in the enterprise of reform.

Yesterday's Alternatives and Today's

The Health Security program should be viewed against the backdrop of other approaches to national health reform that have received attention and support in recent years. Three, in particular, merit additional discussion: (1) play-or-pay; (2) single-payer, including Medicare for all; and (3) tax credits and

medical savings accounts.

It would be an error to regard these approaches as antithetical and their supporters as inevitable adversaries. There are many points of overlap. The Health Security program is itself an amalgam. While why we believe it is a preferable approach, we have enough common ground to create the potential for further compromise.

Play-or-pay. As of 1991, much of the discussion centered on "play-or-pay" proposals that would have mandated employers either to buy coverage or to pay a payroll tax into a public program. The Health Security program is similar in that it maintains employment-based financing and includes an option for some employers to continue providing coverage on their own. More broadly, both proposals build incrementally on existing institutions and have appeal to the political center.

But the differences between Health Security and play-or-pay are fundamental. Play-or-pay was a system of employer choice, not individual choice. Employers could provide coverage to their employees or put them into a public system that opponents criticized as likely to be similar to Medicaid. This was actually not an unreasonable fear because the design of the public system

invited endemic financial problems. The employers most likely to go into the public program would have been those with low wages or high health care costs, or both. Accordingly, the revenue from the payroll tax would have been low and costs high. Pressures to cut coverage would have been severe; the middle class would have wanted to stay out.

The Health Security program does not pit private coverage against a public system. The alliances are a mechanism for individuals to choose a private plan; they pay for the value of their premium, unless they qualify for a subsidy. Under play-or-pay, employers would have had a choice between paying premiums (for private coverage) and paying a payroll tax (for the public system). Those alternatives ensured that low-wage employers would have dominated the public program. In contrast, under Health Security, all employers continue to pay premiums, and all employers with fewer than 5,000 employees are required to participate in the regional alliances. Employee groups smaller than 5,000 are not a low-wage population, nor are they likely to be higher-risk. Although the population in the regional alliances may be somewhat more costly than in the corporate alliances (because of the nonworkers enrolled in the health alliances), this is counterbalanced by the 1 percent payroll assessment on corporate alliance employers.

There is still a small element of pay-or-play in the Health Security program since it gives employers of 5,000 and over the option of joining the regional alliances. However, these employers pay alliances on the basis of premiums, not payroll taxes, and the rates will first be fully and then partly risk-adjusted over a period of eight years. This reduces any burden of higher costs on the alliances from adverse selection (that is, higher-cost large employers choosing to enter the alliances).

By offering a means to purchase private coverage more economically, the Health Security program answers many of the criticisms that were levelled at play-or-pay. Play-or-pay would have created a huge governmental insurance program and was, therefore, unacceptable to many conservatives and moderates. With its reliance on competing private plans, the Health Security program is a more credible program for a middle-class majority and a more promising basis for assembling majority support in Congress.

Single-payer and Medicare for all. A national single-payer system is not only politically infeasible but, as suggested earlier, likely to create unacceptable fiscal risks and policy problems. Some groups, notably the CBO, have produced favorable estimates of the cost of a single-payer plan. No doubt there

would be immediate administrative savings. However, the major reason for such favorable estimates of cost is that the single-payer plans would significantly reduce payment rates from current private levels. It is no trick to achieve savings this way; the Health Security program could do the same.

But to withdraw funds from the health care system without changing its basic incentives may create unmanageable contradictory pressures. Under single-payer plans, while there are budgets, individual providers continue to be paid on a fee-for-service basis and do not have any incentive to reduce the volume of services. Some proposals also reduce patient cost-sharing to negligible levels. Thus, these plans pit government budget setters against private providers and patients in a tug-of-war that CBO has chosen to score in the government's favor. Some might call this optimistic.

Under the single-payer proposals, the only means of achieving budget targets is reduced payment. But if the volume of services is driven up, there is only so much room to ratchet down price. Under Health Security, on the other hand, the primary means of achieving budget targets is improvement in productivity and control over the volume of services by integrated health plans. Rate reductions enforced by a provider tax are only a final enforcement mechanism.

Nonetheless, Health Security does accommodate single-payer advocates by giving states the option of developing a single-payer plan. Rural states where competition is limited may well make that choice. If single-payer systems are truly more efficient, the states that adopt single-payer will become beacons to others.

One important version of a national single-payer plan is Congressman Pete Stark's new "Medicare for all" proposal, which would provide coverage for everyone under age 65 with deductibles of \$350 for individuals and \$500 for families. The cost of premiums would be \$1,500 for individuals and \$3,000 for families (with subsidies for individuals with up to \$20,000 a year income and for families earning up to \$40,000 a year). In addition to the premiums, Stark would also impose a 10 percent provider tax. Providers would be paid at Medicare rates, and there would be budgets for each sector of health care (hospitals, physicians, etc.)

Like other single-payer proposals, Stark's plan does not create any incentives for cost-conscious decision making by either patients or providers. Stark would allow supplemental insurance that would sharply increase utilization and costs. Indeed, Stark proposes to allow employers to provide this coverage with all current tax advantages but none of the

liabilities that employers now face. Today, if employers provide first-dollar coverage, their benefit costs go up. Under Stark's proposal, employers could offer supplemental first-dollar coverage--and the government's costs will go up! Stark's cost-containment system is like a pressure cooker: he has clamped on a lid and turned up the heat, guaranteeing an explosion.

Also like other single-payer proposals, Medicare for all would mean federal management of the entire health care system. The federal government would effectively set prices for every reimbursable event, every procedure, every doctor and hospital. Such a system would entangle Washington, even more than today, in the fate of every institution and provider group and make it more difficult than ever to achieve the necessary consolidation of capacity in the system.

Under Medicare for all, local regions will not have any incentive to resist unneeded new investments in health care. Because Medicare rates are national, local regions do not receive any benefit if they hold Medicare costs below national levels. Low costs in Rochester, New York, do not translate into lower federal taxes in Rochester. Boston's high costs do not mean higher taxes in Boston. Indeed, higher costs and excess investment in a region actually represent a way of extracting revenue from taxpayers elsewhere in the country. Medicare for all

would pit the federal government against all local interests in an effort to impose cost-control-from-a-distance.

Medicare for all would also perpetuate the incentives in health care toward higher volumes of high-cost services. Medicare gives providers no incentive to control inappropriate or unnecessary care or to weigh carefully the value of high-cost, low-benefit technology. Indeed, as with all fee-for-service, Medicare does the opposite: it encourages higher volumes of services, especially technologically intensive ones. Medicare's rate-setting methods do nothing to solve this problem since they affect price but not volume. The recently imposed volume performance standards for physicians also do not help, since they're enforced through ratcheting down prices. Such price reductions will actually produce an increase in volume--that is, greater consumption of real resources. Attempting to control expenditures through price reductions not only doesn't work in the long run (prices can be cut only so far before access becomes a problem). The reductions penalize conscientious physicians who prescribe appropriately and reward physicians who jack up volume with unneeded procedures and return visits.

Because it sets spending limits for separate sectors based on historical patterns, Stark's budget would also freeze in place the current composition of health care expenditures. It would,

therefore, retard needed shifts, such as from tertiary to primary care. Medicare for all would also perpetuate the biases toward specialized, high-cost practice because of its pricing structure. The development of the resource-based relative value scale for physician payment has not fundamentally changed the traditional pattern.

Medicare for all would also undermine the progress toward integrated health systems being made among the under-65 population. Medicare's point of reference is fee-for-service payment; it treats organized systems of care as a side issue and provides little incentive for beneficiaries to sign up or for providers to create such systems. To be sure, we could change Medicare's current treatment of capitation plans. But most advocates of Medicare for all do not contemplate setting up an incentive system that would require beneficiaries to pay the difference in cost between providing the same comprehensive benefit package through integrated health plans and fee-for-service.

Such an incentive system would require that the premium for fee-for-service be regional, not national; that the benefit packages be uniform to give beneficiaries a basis of price and quality comparison; and that there be an annual enrollment, risk-adjusted capitation payments to the plans, and an independent

manager of the competition among the different systems. That arrangement is managed competition.

Finally, Medicare for all has the political drawbacks of any single-payer plan. It requires the federal government to raise all the revenue for health care. The money must go to Washington and then back to the localities, diminishing the sense of a local stake in cost containment. One reason that Medicare is subject to large amounts of fraud is that providers feel no compunction among milking a public fund, which they believe is underpaying them anyway. While the system invites abuse by providers, supplemental policies covering cost-sharing remove any deterrent to utilization for the majority of beneficiaries. The controls on prices produce higher volume. Medicare should serve not as a model, but rather as a lesson on how not to structure a national health program.

Tax Credits and Medical Savings Accounts. Free-market proposals advocated by many conservatives call for the creation of new tax credits and medical savings accounts (sometimes called medical IRAs) for the purchase of insurance coverage and payment of deductibles and coinsurance. These proposals, however, differ significantly among themselves.

The most radical plan, favored by the Heritage Foundation, would replace the tax exclusion of employer contributions with a tax credit based on the ratio of health care expenditures to income. Heritage would require employers to convert current health insurance contributions into taxable wages. There would be no employer mandate to purchase health insurance; indeed, the link between employment and health coverage would be broken. Instead, individuals would be mandated to purchase health insurance, including at least catastrophic coverage (a stop-loss for total expenses) and some specific preventive services. Individuals regardless of employment would buy insurance on their own or through voluntary associations such as churches, schools, unions, and other groups. They would then be able to claim a refundable tax credit for their health insurance and health care expenses. There would be a base tax credit of 20 percent of costs (a new version of the proposal may raise that to 25 percent), rising to a maximum of 65 percent for those with high health costs relative to income.

[NOTE: The Heritage plan is now being turned into a legislative proposal to be introduced by Senator Nickles; the exact level of the tax credits will depend on estimates from Lewin-VHI. The bill will also incorporate medical savings accounts, which had not been part of Heritage's original plan.]

The Heritage plan and Health Security have some elements in common. Both move from a system of employer choice to consumer choice of health plan. Both seek to instill greater cost-consciousness by enabling consumers to benefit financially by opting for a lower-cost plan. Both depend on competitive forces to restrain costs. And both include a requirement that everyone purchase coverage.

But the similarities stop there. Under the Heritage plan, individuals would continue to buy insurance in an unreformed market. Heritage's publications explicitly oppose community rating, open enrollment, and other insurance market reforms. The Heritage plan would let the sick pay more for insurance and then receive a tax credit to offset the additional cost.

However, this approach encourages health plans to invest in sophisticated strategies of risk selection rather than cost control; it does not provide a sufficient stimulus to efficiency and higher productivity. Individuals with high costs would also have to pay much more than healthy individuals even after the tax credits. Moreover, if individuals sign up for voluntary associations to buy insurance, the associations will each have an interest in screening out high-risk individuals to keep down their costs. People with high-risk conditions would likely find themselves excluded and forced to buy insurance individually.

The kind of individual and voluntary group market that Heritage envisions has the highest administrative costs imaginable. Today's individual market has an administrative load of 40 percent; there is nothing in the Heritage proposal to reduce it. Indeed, by transferring the purchase of insurance from employers to voluntary associations that would have an interest in selecting favorable risks, the proposal raises administrative costs considerably above levels in the present system.

Heritage relies entirely on individual consumer cost-consciousness to control costs. Yet consumers would be faced with complex variations in coverage among plans, and the plans themselves would have an incentive to compete less on price than on risk selection. The proposal appears to rely on the probability that individuals will buy insurance with high cost-sharing, even though there is no evidence from the marketplace that consumers are interested in such policies. The minimum benefit package is the kind of barebones package that conservatives and the insurance industry have been promoting unsuccessfully at the state level.

Still, the Heritage proposal has attracted some favorable attention from liberal and moderate opinion leaders because of its financing. Converting the current tax exclusion into a refundable tax credit would have a highly progressive impact,

shifting tax subsidies toward lower-income people. The proposal goes much farther than the proposals by managed-competition advocates to limit the tax exclusion to the value of a low-cost plan in a region. However, while it might be politically appealing to require employers to give employees wage increases equal to the full value of health insurance contributions, the practical difficulties are enormous. Since the wage increases that employers would otherwise give are unknown, it is unclear how the federal government could enforce a requirement that insurance contributions be turned into wages.

In any event, typical Republican proposals for new tax credits and Medisave accounts, such as H.R. 101, introduced by the Minority Leader, neither require employers to turn insurance contributions into wages nor convert the current tax exclusion into tax credits. The Heritage proposal at least provides a mechanism for financing broader coverage; the Republican proposals do not.

Indeed, the House Minority Leader's proposal just adds tax-favored Medisave accounts to the existing structure. The accounts appear to be nothing but an additional tax break for health insurance. While Heritage seeks to induce greater individual cost-consciousness, the Republican proposals move in the opposite direction: they provide more "free" money for health care. The

insurance purchased through the Medisave accounts would also suffer from the high administrative costs and adverse selection likely to result from the Heritage plan.

However, the Health Security program does incorporate the basic idea of an individual and family health insurance account into the new system. The alliances would maintain such accounts to enable individuals to see for themselves where their money is going. Like the conservative Medisave proposals, these accounts can help to create a strong sense of consumer stakeholding. Should the Republican supporters of Medisave accounts be interested in compromise, Health Security provides a basis for further accommodation.

JEANE KIRKPATRICK

Dont-Fly-Response Be

Bill Clinton's foreign policy? Whatever Boutros-Ghali asks

What is our purpose?" Senate Minority Leader Robert Dole asked of the latest U.S. commitment of troops to Somalia. "What is the cost? How long will they stay?"

U.N. Secretary General Boutros Boutros-Ghali addresses these questions in his most recent report to the Security Council on Somalia. But his answers would not please Dole or a growing number of senators and representatives concerned about the increasing U.S. commitment to the U.N. operation in Somalia.

Boutros-Ghali explains that what began as an effort to prevent mass starvation has become a campaign "to reconstruct [Somalia's] political, social, and material infrastructure on a lasting basis," to disarm warring factions, apprehend "criminal elements," and establish a national police force, a prison system and a judicial system.

Of course, the Secretary General does not explain why the United States should commit hundreds of millions of dollars and risk thousands of lives to nation-building in one African state. That is not his responsibility. Explaining to American taxpayers why these activities are in the U.S. national interest is the responsibility of President Bill Clinton and his administration.

We know why the Bush administration committed 20,000 troops to Somalia: It was to stave off imminent starvation of tens of thousands. But President Clinton and his top advisers have not explained why Americans should become militarily involved in the internal politics of Somalia — a

no special ties. Nor have they explained why the conflict in Somalia should have greater claim to U.S. resources than, say, the bitter war of aggression against Bosnia. The president's silence on these questions has given rise to the complaint — heard with increasing frequency — that the Clinton administration has failed to define a foreign policy. I believe that complaint is not justified.

In fact, the Clinton administration's foreign policy has been repeatedly described and illustrated by top administration officials. But what they say and what they do are so unfamiliar and unexpected that they are barely heard and even less understood.

For the Clinton team, implementing the decisions of the U.N. Security Council and Secretary General in Somalia, Bosnia, Cambodia or wherever is our foreign policy. Doing what the United Nations calls on us to do is our foreign policy. That is why Secretary of State Warren Christopher listed among the administration's foreign policy accomplishments "taking the lead in passing the responsibility to multilateral bodies." It is presumably why the administration accepted Boutros-Ghali's claim of authority to decide when and where NATO air strikes could take place in Bosnia and why the U.S. dispatched crack troops to Somalia without raising serious questions about whether it is prudent, justifiable, or in the U.S. interest.

The Clinton administration has made acting through the United Nations the centerpiece of U.S. foreign policy. "There is a political will in the new administration to use the United Nations in solving international disputes,"

Boutros-Ghali told David Frost soon after Clinton's inauguration. And he was right. But even he must be surprised at the extent of the Clinton administration's commitment to global multilateralism.

The clearest statement yet of the Clinton doctrine of "assertive multilateralism" was offered in U.N. Ambassador Madeleine Albright's June speech to the Council on Foreign Relations. But Christopher and other policy-making members of the Clinton team have emphasized and illustrated the administration's belief that a strong United Nations is critical to U.S. national security, that a conflict anywhere is a threat to U.S. national security, and that they have a commitment to promote peace and development everywhere through the United Nations.

In Bosnia, Somalia, Cambodia, in its sweeping plans to upgrade U.N. peacekeeping capacities, the administration has demonstrated a will to make the U.N. Secretary General's priorities its own.

In its support of Boutros-Ghali's boundless agenda and unprecedented claims of authority, in its willingness to defer to U.N. decisions (as, for example, on air strikes in Bosnia), in its decision to place U.S. troops under U.N. command, the Clinton administration defines its foreign policy and dissolves the national interest as traditionally conceived. It eliminates from the calculation of interests and priorities factors like geography, history, and culture that have traditionally shaped the foreign policy of nations.

The Clinton administration offers us a vision of foreign policy from which national self-interest

is purged. And it proposes to forgo U.S. control over important decisions and rely instead on the judgment of international bodies and officials.

The reason the Clinton administration's foreign policy seems indecisive is that multilateral decision-making is characteristically complicated and inconclusive. The reason Clinton policy seems ineffective is that U.N. operations — in Bosnia or Somalia or wherever — are characteristically ineffective. The reason Dole demands an explanation of our purposes in Somalia, now that starvation no longer looms, is that it is difficult to relate Somalia's internal political struggles to any U.S. goals ex-

cept the goal of honoring the priorities of the U.N. Secretary General.

Of course, this is not the first time an American administration has brought to U.S. foreign policy-making a global perspective and tendency to prefer universal needs to national interests. Many of the same people now making foreign policy for the Clinton administration tried these ideas first when they served in the Carter administration. But the Cold War and the reality of Soviet expansion in the late '70s imposed limits on the utopian quest for a global community. Now, only the Congress can prevent the progressive loss of control by Americans of our resources and our future.

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EASTERN EDITION

THURSDAY,

Poor Man's Cruise

Airliners Can Exploit
U.S. Guidance System,
But So Can EnemiesGlobal Positioning Satellites
Could Be Used to Direct
Cheap, Accurate Missiles

Defense Aide: It's a Quandary

By JOHN J. FIALKA

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—At the Pentagon, they call it "the poor man's cruise missile."

It is a low-flying guided missile or robot-driven aircraft that is relatively cheap to produce, but capable of hitting targets with a precision the U.S. once monopolized. Iraq, Iran and North Korea are among a dozen countries developing these missiles. The spread of such weapons would cut the U.S. technological edge and increase the danger American forces face in regional conflicts.

But the threat of these new missiles doesn't stem from a breakthrough in some Third World capital. The sophisticated satellite system to guide the missiles is being put into space by the Pentagon. And the ability to access the system inexpensively was developed by the Federal Aviation Administration for the commercial-airline industry.

By tapping into the Defense Department's \$10 billion Global Positioning System, renegade states conceivably could guide their missiles to precise targets — including some in the U.S. — by firing low-flying missiles from submarines or merchant vessels. The missiles could carry chemical or biological weapons, or even nuclear warheads.

Hard to Protect

The GPS, using signals from 24 orbiting satellites to pinpoint locations on earth, is the most accurate navigation and targeting system ever devised, and could go on line late this summer. The fact that others are gearing up to use it underscores how difficult it is to protect military technology, particularly when it also has commercial uses.

Military officials already are worried about the potential danger of GPS-guided cruise missiles. "We really haven't faced a threat like that in the continental U.S.," says Rear Adm. Bruce B. Bremner, director of operations for the U.S. Space Command in Colorado Springs, Colo. "There is the potential that it could be used for terrorists or for enemy use and it could do a lot of damage."

What's News—

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* * *

Business and Finance

World-Wide

THE U.S. IMPOSED on China a package of trade sanctions, but the limited actions don't immediately jeopardize U.S. business plans to cash in on China's economic boom. The move against China, which is accused of selling missile and other weapons technology to Pakistan, mainly blocks the transfer of U.S.-made equipment used in satellites that the U.S. either sells or sends to China for launches.

(Article on Page A3)

An influential accounting group is expected to call for a sharp increase in the amount of information companies must disclose in their annual reports, a prospect that is already alarming corporate financial officers.

(Article on Page A3)

Orders for durable goods fell 3.8% in July, the fifth drop since February, after rising a revised 4.5% in June. The decline was largely due to an 18% decrease in transportation bookings.

Existing-home sales surged 5.4% last month as low interest rates boosted a housing recovery that is now robust in most parts of the country.

(Articles on Page A2)

Ford presented the UAW with an outline for a new labor contract, but GM indicated it won't follow suit this week, lessening its chances of setting the pattern for this year's labor talks.

(Article on Page A2)

The Dow Jones Industrials rose 13.13 points to a record 3652.09. The price of the Treasury's benchmark 30-year issue gained more than $\frac{1}{2}$ point. Its yield fell to 6.16%, a 16-year low.

(Article on Page C1)

Air fares on short routes have been falling in recent months, some by as much as 50%, and it probably will be awhile before they stop dropping.

(Article on Page B1)

VW's Lopez said he supervised the shredding of GM documents in the days following requests from GM that such materials be returned. But the former GM purchasing chief said the documents were erroneously included

A MUSLIM CLERIC WAS INDICTED in the World Trade Center bombing.

Sheik Omar Abdel-Rahman was indicted on conspiracy charges in connection with the bombing of the World Trade Center at the planned assassination of Egypt's President Mubarak. The cleric has been in custody since early July when he was ordered deported by U.S. immigration officials. The new indictment, handed up by a federal grand jury in New York, marks the first time the sheik has been criminally charged in the U.S. (Article on Page A3)

The indictment also includes new allegations against El Sayyid Nosair, who was acquitted in the 1990 killing of militant Rabbi Meir Kahane.

A U.N. AID CONVOY REACHED the embattled Bosnian city of Mostar.

Twenty-seven trucks carrying food and medicine entered the city and unloaded supplies in the Croatian sector and later in the Muslim enclave, where 55,000 people were said to be facing starvation. The convoy had been blocked for hours on access roads to the city by Croat women trying to prevent aid from reaching Muslims. Once allies, Croats and Muslims have been fighting in recent weeks for Mostar, in the southwest, and across central Bosnia.

Bosnia's Muslim-led government pleaded for the World Court to order other countries to take steps to halt Serb "genocide" against Muslims.

Yeltsin appealed to Polish citizens for forgiveness as the Russian president placed flowers at a Warsaw monument commemorating 15,000 Polish officers killed during World War II by the Soviet secret police. He also pledged to withdraw the last Soviet military forces from Poland by Oct. 1, three months ahead of schedule.

Rightist rebels freed their last five hostages in northern Nicaragua, according to local radio reports. Meanwhile, rival Sandinistas announced that they would release the remaining five hostages they held in Managua, including Vice President Godoy. The reports spurred hopes for an end to a six-day hostage standoff.

PLO leader Arafat huddled with prominent Palestinians in Jordan to discuss strategy ahead of a meeting today of the PLO executive committee in Tunisia. Arafat is facing an open revolt against his leadership. PLO sources said he is trying to ignore criticism over the progress of peace talks and the group's financial problems.

No one has a plan for solving the problem. There are few effective defenses against cruise missiles, which travel at low altitudes and often are mistaken for birds on radar screens. Moreover, the world's airlines and other commercial users will soon be heavily dependent on GPS guidance. The GPS was designed so that a president could switch off the system in a military crisis, but Adm. Bremner doubts that safety could be preserved if, for example, the system were switched off as GPS-guided airliners try to land in bad weather.

'Dual Use' Technology

The airlines' enthusiasm for the military navigation system has taken the Pentagon by surprise. It threatens to start yet another battle over sales of so-called "dual use" technology, which can be employed for military or civilian purposes.

"This is an inherent quandary," admits Jules G. McNeff, the Pentagon's top expert on the GPS system of orbiting "Navstar" satellites. Originally, the navigation system used a coded signal to keep precision guidance out of the hands of a potential enemy. But during the mid-1980s, as the military's navigation system took shape in space, two other federal agencies — the Coast Guard and the FAA — began multimillion-dollar programs to expand the benefits of GPS for commercial users.

Through the use of computers and ground-based radio beacons, they invented "local differential GPS," which essentially breaks the military's code. Now GPS is accessible to anyone who can acquire the necessary receiver equipment.

Flying Through Doors

GPS was used by the U.S. during the Persian Gulf War, when B-52 bombers, F-16 fighters and Apache helicopters savaged Iraqi forces using ultraprecise guidance. The Navy's Standoff Land Attack Missile, guided in part by GPS, amazed television viewers by flying in through doors and other openings to demolish highly fortified targets.

In comparison, Iraq's Scud missiles had primitive guidance systems, using coordinates from inaccurate maps, and often missed their assigned targets by several miles. The sprawling U.S. ammunition dumps, bases and petroleum storage sites in Saudi Arabia were virtually immune. "I don't expect that to be true again anytime in the future," says Mr. McNeff.

Indeed, the U.S. Tomahawk missile attack on Baghdad in June may be one of the last raids on an enemy who doesn't shoot back. Enemies equipped with precise missiles "will have a high likelihood of inflicting painful damage in a conflict," predicts a U.S. official.

In addition to Iraq, Iran and North Korea, GPS-guided cruise missiles are in the pipeline in India, Pakistan, Indonesia, Egypt, Israel, Taiwan and several other countries, U.S. officials say. The equipment is commercially available and

Please Turn to Page A4, Column 4

in boxes of personal papers that he asked a GM worker to pack for him.

(Article on Page A2)

Compaq Computer plans to unveil today two personal computers for home use, joining other big PC makers that are promoting nonbusiness computers that are easy to use.

(Article on Page B1)

Britain's RTZ agreed to sell most of its RTZ Pillar industrial-products group to MB-Caradon for \$1.2 billion.

(Article on Page A6)

Carl Icahn's planned restructuring of ACF Industries is being scrutinized by a pension agency, apparently signaling a renewed interest in Washington in preventing corporations from escaping their pension obligations.

(Article on Page C1)

AlliedSignal is exploring merging its commercial avionics business with France's Sextant Avionique.

(Article on Page A4)

Gloria Haft failed to persuade a judge to bar her husband, Dart's Herbert Haft, from changing controlling ownership of the family businesses.

(Article on Page A2)

Markets—

Stocks: Volume 301,621,830 shares. Dow Jones industrials 3652.09, up 13.13; transportation 1664.67, up 14.96; utilities 254.55, up 1.65.

Bonds: Lehman Brothers Treasury index 5543.31, up 40.72.

Commodities: Oil \$18.32 a barrel, off three cents. Dow Jones futures index 126.70, up 0.95; spot index 122.98, up 0.15.

Dollar: 104.95 yen, up 1.20; 1.6848 marks, up 0.0058.

The Mars Observer didn't contact Earth as programmed, dimming NASA's hopes for salvaging the \$1 billion mission to Mars. U.S. officials conceded the situation is grim, but said they aren't ready to declare the mission a total loss. They plan to make attempts to re-establish communication with the craft. (Article on Page B6)

An ozone-related study concluded that global emissions of the two worst ozone-destroying chemicals are slowing sooner than researchers had expected, and repair of the ozone layer could begin by the year 2000. The study, which cites aggressive efforts by industry to find replacements for the chemicals, appears in Nature, a British journal.

The Navy reopened the Tailhook sex-abuse investigations of five senior officers, including the commander of the Blue Angels flying team and a president of the Tailhook Association. Meanwhile, a military judge dismissed one of two assault charges against a Navy commander, Gregory Tritt, who is facing court-martial in the case.

North Korea agreed for the first time to work with the U.S. to account for thousands of American and allied troops listed as missing since the end of the Korean War, the Pentagon said. The U.S. government lists about 8,140 U.S. servicemen as unaccounted for from the conflict.

Israel's Supreme Court rejected a petition challenging the legality of Jewish settlements in the occupied territories. The court said a decision on settlements could interfere with peace talks on trading land for peace. Meanwhile, a group of Jews opposed to giving up any part of the Golan Heights declared another new settlement there.

China acknowledged holding secret talks with leaders of Tibet's exiled independence movement and said it was prepared to negotiate anything with Tibet's spiritual leader, the Dalai Lama, except the Himalayan territory's independence. The secret meetings last month in Beijing were the first talks in 10 years between the two sides.

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THE WALL STREET JOURNAL (USPS 644-880)



Poor Man's Cruise: Foes of U.S. Could Exploit Guidance System

Continued From First Page

often laundered through Europe. Iran buys its receivers through front companies in England, says one of the officials. China and Russia also are believed to be working jointly on such a missile, which probably will be offered for export.

Dangerous Delusions

Many U.S. military officials are deluding themselves about the dangers of spreading GPS technology, according to Henry D. Sokolski, who formerly oversaw nonproliferation policy in the Pentagon for the Bush administration. "The whole field is one that is strewn with self-comforting misconceptions," he says. One is that the satellite system could be turned off in a crisis, he says.

Another is that an enemy won't be able to acquire a signal that is precise enough for targeting. Not true, says Mr. Sokolski. A number of nations are combining satellite imagery — which can be purchased from the U.S., France and Russia — with small, high-speed computers and GPS receivers. The result is a constantly updated digital map in the computer's brain that provides almost pinpoint accuracy at a relatively modest cost. "I think you'll find this in some very disturbing places," he adds.

One possible defense against the cruise missile would be to use static-creating radio jammers to block GPS signals in a given area. But these jammers would also deprive U.S. forces of their main navigation guide and throw commercial users into confusion.

"You have to decide whether GPS is more valuable to us or to them. These are the kinds of decisions you will have to make," explains Bernard Schweitzer, a Rand Corp. physicist who has been working on the issue for the Air Force.

Some blame the airline industry for pressuring the Pentagon to relax its controls over GPS and allow airlines to use a more precise signal. "They're living in their own world and they don't see the national-security issue," says Kathleen Bailey, who helped direct nonproliferation policy at the State Department during the Bush administration.

Officials at the FAA aren't apologizing. "I think you're talking billions of dollars of savings to air-carrier industries before we're all done. There's such a revolution taking place in technology," says Joseph del Balzo, acting FAA administrator.

Pinpoint Accuracy

GPS satellites send two navigation signals. One, which is made available to commercial users, has a built-in error. It can bring a user within 328 feet of a known location. The second signal, which can only be received by special military receivers, gets the unadulterated signal. It can target almost any point on earth within about 38 feet.

But through its research, Mr. del Balzo's agency managed to get within about 10 feet of a known location — a better

signal even than the military gets — by using land-based stations to enhance the commercial signal from the GPS satellites. Because the stations operate from a known, fixed location, they can compare their locations with the signals from space. Then they use computers to calculate the built-in error from the GPS signals and subtract it. The corrected signals are then broadcast to planes and other GPS users operating within a few hundred miles.

Within a few months, according to Mr. del Balzo, the "differential GPS" will allow airline pilots to make precision landings in bad weather without using other, more expensive navigation aids. It will open some 5,000 runways to all-weather operations without a lot of ground-based apparatus. "Satellite technology with GPS is so attractive we can't afford as a nation to pass it by," he says.

As for the Coast Guard, it is building a chain of radio navigation beacons along the East Coast that will send the corrected GPS signal out to ships within 150 miles. It will allow them to locate their positions within about 16 feet. A Coast Guard spokesman said the system will help the agency save lives. "We have taken the search out of search and rescue," he says.

Commercial interests have even more in mind. The International Air Transport Association, which represents 95% of the world's airlines, is pushing for civilian control of satellite navigation and a technology called "wide area differential," which would use a separate communications satellite to correct the GPS signal and broadcast it over an entire continent. It would allow commercial and other users to locate any point within about 10 feet.

"We're saying, 'God, it's there, and you've got to use it,'" says David Fisher, director of avionics for the association. He admits the military's concerns create a "dilemma" and says he isn't sure how they can be resolved. "We don't talk about cruise missiles in our forum. We tend to talk about 747s and that sort of thing," he says.

"I don't spend my time thinking about those issues," says Rudy Kalafus, who helped promote commercial uses for GPS as Transportation Department researcher and now is marketing manager at Trimble Navigation Inc., a Sunnyvale, Calif., company that is one of the major manufacturers of commercial GPS equipment. "We see the advantages in the commercial world. What we concentrate on are a lot of the productivity and economic benefits of [GPS]."

Currently, task forces from the Transportation Department and the Pentagon are conferring over the future uses and control of GPS. The Clinton administration, which is engaged in an overall study of proliferation problems, has yet to weigh in on the issue.

Meanwhile, some versions of the poor man's cruise missile are already being hawked on the world's arms market.

For example, Rokar International Ltd.,

Blue Cross Settles Dispute With California Critics

By a WALL STREET JOURNAL Staff Reporter

LOS ANGELES — Blue Cross of California said it agreed to pay \$100 million to settle a dispute with California legislators over its sale to the public of a minority stake in its WellPoint Health Networks Inc. unit.

Blue Cross will step up its charitable donations by \$5 million over the next 20 years to satisfy legislative critics of the WellPoint sale. The pact "has no impact on WellPoint," a Blue Cross spokesman said.

Blue Cross, a nonprofit health-care provider, raised \$476 million in January by selling an 18% stake in WellPoint. By keeping a majority stake in the unit, Blue Cross sidestepped a California law requiring nonprofit organizations to make charitable donations when they convert to for-profit status.

The settlement also deflects proposed legislation to require Blue Cross to make a retroactive donation. The bill could prevent other nonprofits from copying the Blue Cross transaction.

Negotiations between Blue Cross and legislators began last week over a compromise. Blue Cross said it all along planned to increase its public benefit spending.

Some securities analysts said if Blue Cross were forced to make a large retroactive payment, it might have to sell more of its WellPoint stock. The Blue Cross spokesman said that won't be necessary.

an obscure Israeli-based unit of Tracor Aerospace Inc. of Houston, has offered to sell the Pentagon something it calls "GPS Sky." Jess Neely, a Tracor vice president, says the technology is owned by a foreign government, which he refuses to name. He will say, though, that it is a guidance system with very fast computers that uses commercial GPS signals to locate a target within about 100 feet.

"All we can say," he says, "is that the guidance package is built for use on missiles."

MCI Communications Corp.

MCI Communications Corp., in an effort to improve marketing of its high-speed data services to major businesses, said it consolidated operations under a new division.

Creation of the data services division was partly spurred by the customers' shift from private lines to faster and more cost-efficient public networks, the Washington-based long distance carrier said. Such networks are used by large businesses to transfer millions of bits of information in microseconds. The \$6 billion to \$8 billion industry is growing at a 10% to 12% rate, a spokeswoman said.

Robert Harcharik, 53 years old, was named the division's general manager. Mr. Harcharik, who was with the company in the early 1980s, helped develop MCI Mail, an electronic mail service. He most recently served as a consultant to MCI.

The Dry Facts About 'Wetlands'

By JONATHAN TOLMAN

Yesterday, as part of Bill Clinton's wetlands plan, the Environmental Protection Agency promulgated a final rule to help protect the nation's wetlands. This regulation, known as the Tulloch rule, adds a final twist to the bizarre evolution of wetland regulation.

No environmental issue has caused as much populist revolt as the federal government's role in regulating wetlands. But beyond all the environmental and property-rights rhetoric, few people realize that this entire regulatory scheme stems from one small section of a 20-year-old law, one that does not even mention the word "wetland."

The current regulatory apparatus has not evolved in an atmosphere of open debate and democratic voting. It has been created by the obscure memos and legal briefs of judges, lawyers and bureaucrats. It has been the agencies and the courts that have defined and enforced their own interpretation of the statute, regardless of the original intent of Congress.

The most significant part in this whole drama of wetland regulation is that virtually none of the major players have been elected officials. The changes that have taken place have never been passed by the House and Senate.

Only last month did Sens. Max Baucus (D., Mont.) and John Chafee (R., R.I.) decide to introduce a bill that, if passed, would codify the status quo.

In 1972, Congress passed the Federal Water Pollution Control Act. Tucked away in a little corner of the act was the prohibition of discharging dredged or "fill" materials into navigable waters without a federal permit, known as Section 404. To those in Congress who voted for the act in 1972 this small passage must have seemed innocuous and hardly open to inventive interpretations.

At first the Army Corps of Engineers, the agency in charge of writing permits, interpreted the passage to mean only what it obviously says—waters that could actually be navigated. But in 1975 the corps redefined navigable waters to include other U.S. waters.

Apparently this was still a little too ambiguous, so in 1977 the corps redefined its redefinition to include such things as wetlands. A wetland is just what it sounds like—land that is wet. But just because it is wet, does that mean that it is a navigable water?

In *U.S. v. Riverside Bayview Homes* (1985) the Supreme Court decided the question. In writing the opinion for the court, Justice Byron White commented, "it may appear unreasonable to classify land, wet or otherwise, as waters." The appearance

of unreasonableness, however, did not stop the court.

According to Justice White, Congress knew that the EPA and the corps had changed the definition of a navigable water. The record shows that while there were numerous debates over what should be done about wetlands, Congress never passed a bill changing the definition—either to accept the new definition or to reject it. "Nonetheless," according to Jus-

According to the current Corps of Engineers wetland delineation manual, visible water is no longer necessary.

tice White, "the evident breadth of congressional concern for protection of water quality and aquatic ecosystems suggests that it is reasonable for the Corps to interpret the term 'waters' to encompass wetlands...."

Other court cases following *U.S. v. Riverside Bayview Homes* granted broad discretion to the EPA and the corps in determining what was a navigable water. By 1987, navigable waters had evolved into land that needed only to be occasionally wet. According to the current Corps of Engineers wetland delineation manual, visible water is no longer necessary. An area could be considered a "navigable water" if it contained the right kinds of plants and soil.

After finally resolving what they thought Congress meant by navigable waters, the bureaucrats and the lawyers then turned their attention to the meaning of "discharge of dredged material." A few cases, such as *Avoyelles Sportsmen's League v. Marsh* and *Rybacek v. U.S. EPA*, have challenged the definition, but the real turning point came this month.

To settle the pending lawsuit of *North Carolina Wildlife Federation v. Tulloch*, the government has completely redefined "discharge of dredged material." The new definition includes not only the addition of material, but also activities such as clearing and excavation. With the deftest legal sleight of hand, subtraction has magically turned into addition.

According to the Interior Department, there are roughly 104 million acres of wetlands nationwide. Requiring a federal permit for any development on this land will have significant effects on its property value. The city of Anchorage, Alaska, commissioned a county-by-county analysis of the state of Arkansas, which has 2.76 million acres of wetlands. The study found that because of reduced land value, local governments would lose more than \$183 million in property tax revenue in the first

year. If the Arkansas analysis is correct, local governments nationwide may lose up to \$6.9 billion in property taxes in the same period.

But there may be a bright side to this redefinition. This kind of regulation could be the solution to many of the government's problems, not just wetlands. For example, if you declare that the removal of material from the Treasury is the same as adding material to it, you could solve the budget crisis in a matter of weeks.

The government hasn't taken all leave of its senses though. It astutely noted in the Tulloch regulation that "navigable waters do not include prior converted cropland." However, it isn't clear whether this exception applies to those areas of Iowa that the Coast Guard has been patrolling recently.

Mr. Tolman, formerly an environmental analyst with Vice President Quayle's Council on Competitiveness, is a fellow at the Alexis de Tocqueville Institution in Arlington, Va.

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Rubio and Albano *They don't mention capital gains in the*
Senate - what do you make of this?

Help the Poor, Cut Cap Gains Tax

THE PRESIDENT HAS TEN

B

8/30

Saturday will mark the 30th anniversary of the March on Washington, where Martin Luther King Jr. delivered his "I Have a Dream" speech. Then, the focus was on rights. But now, at least in some quarters, the emphasis is on economic opportunity. The following article was written by five of the eight current commissioners of the U.S. Commission on Civil Rights.

We were surprised when the mostly black and Latino audience applauded Art Laffer, the white, academic, Reaganite economist, as he pleaded for tax cuts and regulatory relief to bring enterprise and job creation to South Central Los Angeles. But from the U.S. Commission on Civil Rights' June hearings on racial tensions in L.A., one unmistakable message came through: Inner city L.A. is still boiling because its economy is dying. Blacks, Korean-Americans, Latinos, other minorities and whites agreed that ethnic tension will not be resolved until entrepreneurship, jobs and opportunity return.

Older urban centers with diverse immigrant and native populations are overflowing with abundant human resources, skill, potential, restless energy, and the desire to work. The missing ingredient is capital for new business investment and risk taking. John Mack, president of the Los Angeles Urban League, testified that access to capital is a major problem for his community in creating businesses. "We need ... to create vehicles and mechanisms and instruments that will encourage potential investors to be willing to make funds available," he said.

Seed Money

The best hope of getting critically needed seed money into Los Angeles and other tense urban areas is by reducing the capital-gains tax.

Just as the fruit of a tree contains the seeds for more trees, so the fruits of success—capital gains—contain the seeds that generate new investment and success for more people. Policies that punish success ultimately kill the seeds that promise enterprise and jobs to the poor.

We don't wish to oversimplify the many factors contributing to L.A.'s unrest. The rapidly growing ethnic diversity of the city, combined with media stereotyping, and charges of police misconduct and lack of police protection have all contributed to tensions among people with conflicting cultural backgrounds.

However, the impoverishment of inner-city L.A. has worsened in recent years under the impact of a virtual government onslaught on poor and middle-income Angelenos. Hopes of new jobs and enterprise coming into the city have been dashed by rising federal taxes (especially after the 1990 budget deal), increasing state taxes in California, and new regulatory drags on business growth (from the Clear Air Act to the extension of California's unemployment compensation program).

If Washington and Sacramento had consciously conspired, they could hardly have planned a more lethal attack on L.A.'s poor and ethnic minorities.

We discovered a near-consensus among witnesses from the left, center and right of the political spectrum, typified by the applause for Art Laffer. From Peter Ueberroth, former co-chairman of Rebuild L.A.,

to Richard Martinez, of the Southwest Voter Registration Project, to the Rev. E.V. Hill, pastor of Mount Zion Missionary Baptist Church, all agree that the poor of every racial and ethnic group yearn for opportunity for home and business ownership.

Carlton Jenkins, managing director of Founders National, California's only African-American-owned commercial bank, put it best: "The dream realized is ownership." Yet, most admit that for poor minorities the dream is being deferred because government-created barriers to ownership opportunities—taxes and bureaucratic regulation—are rising rather than falling.

It was our experience in these hearings that poor people understand how capital-gains taxes punish not the rich but those who are struggling to achieve that same dream of prosperity for them-

We discovered a near-consensus across the political spectrum. All agree that the poor of every racial and ethnic group yearn for opportunity for home and business ownership.

selves and their families. High capital-gains taxes have the perverse and counterproductive effect of freezing up the flow of investment money to high-risk areas and freezing out the capital-starved poor and unemployed. Investors are naturally reluctant to support new ventures in decaying urban neighborhoods where theft, drug abuse, violent crime and business bankruptcy rates are all very high. This source of venture capital will not be tapped until sufficient incentives make inner-city investment more attractive to individual backers.

Conversely, reducing the tax on capital gains effectively increases the flow of financial "seed corn" to budding entrepreneurs. For example, after the capital-gains tax was reduced to 28% from 49% in 1978, the number of black-owned businesses increased in a five-year period by one-third (to 308,000 from 231,200) and rose by an additional 38% (to 424,000) by 1987.

These increases are gratifying, but they would have to continue at these rates for years in order to lift the urban black population out of poverty. Expansion has slowed significantly since the capital gains tax was raised in 1986 to 28% from 20%. The federal government's revenue income (in constant dollars) from the tax actually fell by 21% between 1985 and 1991, indicating reduced values of traded assets and continuous declining values, thus denying the seed money needed for entrepreneurial investment. Until the capital-gains tax is again reduced to nonpunitive levels—levels that reward risk and compensate loss—Los Angeles and other urban areas of high unemployment, homelessness, and lack of enterprise have little hope for economic relief.

What's worse, in the midst of this urban crisis the Senate earlier this year

voted (though the House did not follow) to raise the capital gains tax by imposing a surtax that punishes success. (The purported reason—to help balance the budget by increasing revenues—cannot be serious because, as we have just shown, raising the tax rate above current excessive levels can only decrease the Treasury's revenue gain.) As always, the rich will find ways of evading punishment—but, tragically, the minorities and poor will not. Higher capital-gains tax rates will persuade potential investors to avoid the high-cost, high-risk inner cities. The results would include new rounds of urban unemployment, further falling wages for the working poor, faster declines in urban property values, greater demands on strained municipal treasuries for welfare, housing and other social services, and a likely rise in violent crime.

The civil-rights revolution of the 1960s, which brought blacks, Latinos and other minorities to equality in legal and voting rights, has been completed, and yet equal access to the economy by many of these same people is still being blocked—not by legal barriers but by seriously flawed government policies. Reducing these market barriers should be the revolution of the 1990s for civil rights activists and the Civil Rights Commission.

Nothing was more heartening to these commissioners than hearing testimony from thriving minority entrepreneurs such as Robert Taylor, principal of McKinsey and Co., and Errol Smith, owner of Building Maintenance America and chairman of the nonprofit organization New Vision Business Council. The enterprising and self-reliant spirit of these young African-American businessmen has brought success out of impoverished urban beginnings. Nor was their pride in their accomplishments lost on our chairman, Art Fletcher. One of the early civil rights leaders of the 1950s and 1960s, he saw in them the realization of the dream of equal opportunity that his colleagues Martin Luther King Jr., A. Philip Randolph, Mary MacLeod Bethune, and others struggled so hard to achieve.

Tax Difficulties

Yet nothing is more discouraging than the prospect that people equally talented will be cut off from following their path because of tax policies that make it difficult for the successful to help the aspiring. As Mr. Taylor warned, this generation of young minorities is looking at "a rapidly accelerating divide between the have and have-nots." They may represent "our last opportunity [of] becoming owners and full participants in the broader economy."

The witnesses we heard from L.A.'s riot-torn areas expressed it in different ways, but their message to us, to the president, and to Congress could not be clearer: Give us the seed capital for inner-city jobs and investment, and we will use our rich potential to rebuild our city and transform America.

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THE PRESIDENT HAS SEEN
Hunger 8/30
On the
Farm

By Ray Marshall

EVEN at the height of the harvest season, around one-third of American farm workers are unable to find jobs. Although the Federal Commission on Agricultural Workers reported this spring that there were surpluses of farm workers all across the nation, the Labor Department continues to allow growers to employ about 19,000 temporary agricultural workers from Mexico and the Caribbean. These jobs can and should be filled by domestic workers.

The "H-2A" visa program, which is part of the immigration law, allows agricultural employers to temporarily hire resident foreign workers (although not illegal aliens) when they can't find American citizens for the job. The law also requires growers to offer the aliens wages and working conditions comparable to those available to domestic workers.

During the Reagan-Bush era, however, the Labor Department consistently refused to enforce these standards. Many growers began paying these workers substantially less than they do citizens. And in 1987, the Reagan Administration lowered the wages of aliens nationwide by about 20 percent. Farm wages dropped nationwide and thousands of citizens lost jobs.

The H-2A program exempts growers from Social Security or unemployment tax payments. It guarantees a strong, young work force that they can select without regard to anti-discrimination laws. And they can rely on immigration officials to deport workers who are fired for any reason.

Growers can also use any pretext to dismiss domestic farm workers who refuse to work under equal conditions or who don't meet unreasonable production quotas.

To make matters worse, growers and their lawyers have developed illegal tactics to evade the program's meager worker protections. In the East Coast apple areas, the Reagan Labor Department permitted growers to switch from a per-apple pay rate to an hourly wage in order to circumvent a Federal court order that required increases in the piece rate.

In Florida, sugar cane workers are commonly paid up to \$40 one day for cutting eight tons of cane (a typical daily quota) and as little as \$25 the next day for cutting the same amount. Workers are not told how their wages are calculated, and they have no way of knowing whether they are being cheated. The companies claim the rate system can't be explained in objective terms because the pay depends on conditions in the field that only a foreman can assess.

For the companies' purposes, however, the rate is remarkably predictable. Before the season begins, the companies budget a fixed wage amount per ton of cane cut and year after year they generally come within a few pennies of hitting their target. Still, the Labor Department under Ronald Reagan and George Bush accepted the companies' argument and refused to regulate payment at a per ton rate. The Clinton Labor Department may well take a different stand. It has agreed to decide whether this shell game comports with the law. If it decides against the sugar companies, they may owe their workers tens of millions of dollars in back pay.

The visa program is an object lesson in poor labor policy. As a captive work force, the alien workers can't

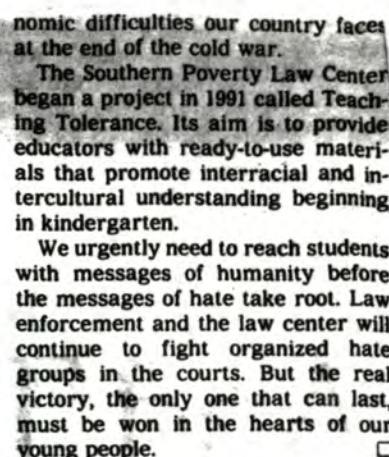
**Federal laws help
growers exploit
foreign laborers.**

bargain for decent wages or go to a different employer. To solve this, before resorting to foreign workers, employers should be forced to make good-faith efforts at recruiting American citizens, at decent wages and under civilized working conditions. Employers should not be allowed to establish unreasonable production requirements that can only be met by young foreign workers, who are forced to work scared and hard to avoid deportation.

It would be much better policy to have the Labor Department recruit U.S. citizens for available work. If the Government can locate enough U.S. workers for a given harvest, the grower should be prohibited from hiring aliens for the job.

Unless the Labor Department curbs these abuses, it will contribute to the poverty of thousands of American farm workers. And the problems will spread as employers in other industries learn that they too can hire temporary foreign workers at substandard wage rates.

Ray Marshall, Secretary of Labor under President Jimmy Carter, is professor of economics and public affairs at the University of Texas.



By Merle Linda Wolin

LOS ANGELES

"We have information that Moscow is a very important staging area, one of the more important in Europe," said Jeannette L. Chu, who coordinates Chinese alien smuggling investigations involving air travel and land crossings for the Immigration and Naturalization Service.

Ms. Chu explained that Moscow has become important in this international scheme because the smugglers realize that Russia is a country in great flux, with few immigration controls and lax anti-smuggling laws. Yet it's also a transportation hub for flights to Europe. Ms. Chu said unconfirmed reports estimate that as many as 50,000 Chinese émigrés are waiting in Moscow for transit to the U.S.

May a production team conduct interviews in Moscow for Foxvision with two Chinese smugglers, a Russian interpreter for various Russian crime syndicates, a Russian law enforcement official and a would-be Chinese immigrants themselves. These people were found by two reporters for Kommersant, a

financial newspaper in Moscow. The interviews offer a rare glimpse into how the operation works. It's an ingenious effort by Chinese smugglers, known as "snakeheads," and their Russian partners to outwit or buy off officials from Moscow to Madrid to Mogadishu.

The young Russian interpreter said that Chinese smugglers in Moscow have set up numerous businesses for the purpose of issuing "invitations" to their Chinese compatriots back home, and providing documents needed to get a Chinese passport and to get into Russia. The cost: anywhere from \$300 to \$3,000.

With proper papers in hand, the Chinese migrants travel overland from Fujian Province on China's southern coast, the prime source for most of the illegals in the U.S., to either Beijing, where they pay, \$200 for a one-way rail trip to Moscow, or to Khabarovsk in eastern Russia, just a hop over the northeastern Chinese border. There, the émigrés board the trans-Siberian railway for a six-day, 5,000-mile journey to the Russian capital.

Arriving twice weekly at Moscow's Yaroslavsky Railway Station, the Chinese migrants are met by emissaries of the smugglers who arrange for housing and transportation. The émigrés are usually housed in hotels that are not officially registered with the Russian authorities. These are high-rise buildings, dilapidated and often located in high-crime areas. The Fox team saw Russians guards, hired by the smugglers, patrol the hallways, aggressively keeping out the public.

Once settled in Moscow, the Chinese émigré focuses on getting a Russian passport, a third-country visa and the training needed to succeed in the West. The passport, necessary to

get out of Russia, is most easily obtained in places like independent Kazakhstan, where locals resemble the ethnic Chinese and are willing, for the right price, to sell their passports.

The third-country visa is needed to get closer to the U.S. It is obtained most readily, according to one of the smugglers, from African countries such as Libya, Liberia and Somalia. A U.S. visa is difficult to obtain in Moscow, the interpreter explained, but for \$7,000 to \$10,000, not impossible.

The smugglers and the migrants have no intention of going anywhere near Africa. But now the smugglers

can buy the émigrés round-trip tickets to these countries with a connecting flight in — and this place is key — Spain. There a smuggler's operative will exchange the émigré's Russian passport for an altogether fake one, often manufactured in Thailand.

These fake documents resemble the genuine passports of Asian countries like Taiwan and Hong Kong, and are so good that they can hardly be detected by ordinary customs officials. The smuggler noted an additional advantage: by using phony passports from countries with mostly Chinese populations, the émigré is "not likely to arouse suspicion" among U.S. officials.

This becomes important once the émigré is in Spain, because he's now going to buy a one-way ticket "home"

— with a stopover, of course, in the U.S.

What happens next depends largely on how well the émigré was coached in Moscow. The émigrés stay in Moscow for one to two months to undergo special training, a smuggler said. "They learn simple English, as well as how to turn themselves in to the immigration service," he said.

When asked what the émigrés learn to say to the immigration service, the smuggler replied: "To plead, some cite the June 4 movement in China [Tiananmen Square]. They say, 'We had been persecuted by the Chinese Government.' Others say 'We would like to raise a family but China allows only one child per couple.' Or 'We have no human rights.'"

The smuggler said that legal entry into the U.S. "becomes a cinch" for most of his "students." He claimed that in the last few years between 80 and 90 percent of all Chinese migrants he and his cohorts have tried to smuggle in have gotten through, around 30,000.

The success rate wouldn't be so high without complicity from some Russians. "This is a big problem not because of the corruption of Russian authorities," said Kirill Osmolovsky, the special prosecutor of Moscow's Regional Transportation Department.

Russian authorities are willing, in deed eager, to cooperate with U.S. officials. But the U.S. response has been tepid. True, the F.B.I. recently sent over one agent to assist Russian authorities in their incipient efforts to combat organized crime. But more assistance is needed if the U.S. is not to become swamped with Chinese asylum seekers and illegals who, they do make it, live among us as frightened, indentured servants.

erle Linda Wolin recently produced several news features on Chinese opium smuggling for Fox Television.

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8/30
PRESIDENT HAS SEEN

Conversations / David Card and Alan Krueger

Two Economists Catch Clinton's Eye By Bucking the Common Wisdom

By SYLVIA NASAR

A CONTROVERSIAL memorandum from Robert Reich, the Secretary of Labor, has been making the rounds here recently. It urges the President to propose not only a rapid 25-cent increase in the \$4.25 Federal minimum wage but automatic annual increases in the minimum pay of everyone from McDonald's kitchen crews to Marriott chambermaids.

That may seem a bit strange from someone who says he is a New Democrat and considers himself a champion of disadvantaged workers. Economists, neoliberals and advocates for the poor have long believed that making it more expensive for business to hire the young, the least-skilled and the least-educated means fewer jobs for people who most need a break.

But the Labor Secretary thinks otherwise — and one reason, it turns out, has a lot to do with research conducted by two young iconoclasts who have made names for themselves in academe and are now being talked about in Washington.

The two, David Card, 37 years old, and Alan Krueger, 32, are economists at Princeton University and pioneers in a new kind of survey research. Sometimes together, sometimes with collaborators like Larry Katz, Mr. Reich's right-hand economist — have found that testing the conventional wisdom on trendy topics like the minimum wage, mandated benefits and immigration can yield a rich harvest of unexpected results. Quite often, they argue, the received wisdom is simply wrong.

"Other economists think we're out here doing cold fusion," said Professor Card, a Canadian who retains many of the hard-working, conservative tenets of the farm community he grew up in. "People assume we know no economics, but we just think the conventional model should be tested."

If the two were merely academic Luddites, smashing the elegant theoretical machinery of conventional economics without creating credible alternatives, nobody in the field would pay much attention to them. But that's not the case. Professor Card ranks third in the country in terms of articles in top economics journals, and edits the profession's most prestigious mathematical journal. Professor Krueger, no slouch either, recently was the object of a bidding war between Princeton and M.I.T.

The New Jersey Test

Their studies of the minimum wage have attracted the most attention. Classic economics assumes that a higher minimum puts more money in the pockets of some low-wage workers, but forces others out of work, dismissed by companies who cannot afford to pay them. Professors Card and Krueger decided to test that when New Jersey, in the middle of a recession, raised the minimum wage in the state to more than \$5.05 — 80 cents higher than neighboring Pennsylvania. They surveyed 400 fast food restaurants and found that those in New Jersey actually added 2.5 workers after the minimum wage

went up. In Pennsylvania restaurants, meanwhile, payrolls shrank.

Why should bosses hire more workers if it's more expensive to do so? The two economists speculate that any fast-food restaurant typically operates with a couple of vacancies it can't fill because it doesn't pay enough.

"If you raise the minimum a little," said Professor Card, "teens who are sitting home go out looking for jobs."

Professor Krueger said the study shows that the labor market is a social institution as well. "There are lots of concerns about fair-

in immigration depresses the wages and raises unemployment for the American working poor. But Professor Card's study of the impact of the Mariel boatlift in Florida found no effect on unskilled black workers from the influx of over 100,000 Cubans.

Their work does have critics, who say that it's trendy but that its conclusions, like the one about the minimum wage, can't be generalized. "It's really one observation," Professor Card admits. "It's always possible that there's some idiosyncratic thing that you've missed."

But even critics agree that their research is careful and applaud their desire to give economic theories more of the real-world testing that the natural sciences have.

"Economists have this theoretical structure," Professor Card said. "The big selling point was an elegant framework that let you make logical predictions. But it's like a Greek tragedy — our strength is also our weakness. A large number of people believe that the equations really work and that you don't have to investigate the facts."

'Let's Not Assume'

"The idea used to be that if the data didn't fit the theory, there must be something wrong with your data. Now there's a younger generation that says 'Let's not assume the answer.'"

The methods the two employ, which resemble the ones used by natural scientists, also attract attention. They use control groups, for example. Other economists virtually never do, but rely on statistical methods to isolate cause and effect.

"What attracted us to control groups is that we wanted to design our research scientifically," Professor Card said. "What would a skeptic consider convincing evidence?"

Although they analyze many large government surveys, they think they get better insights by collecting their own data — as they did by telephoning or writing to 400 fast food joints. "There was a time when we thought econometric techniques would solve a lot of the data problems," Professor Krueger said. "Now I think the feeling is that there are a lot of problems for which it is easier to get better data."

They also prize — to a far greater degree than some of their generation who have taken posts in the Clinton administration — their scientific detachment. They insist, for example, that they are not prepared to tell the President, via Mr. Reich, that it's a good idea to put the Federal minimum wage on an escalator. Or that making employers buy insurance for all their workers is a bad idea.

Taking sides would conflict with their main mission — testing whether the labor market really works the way the models say. "I really view what we do as scientific research rather than partisan input into some particular policy," Professor Card said. "Suppose we say we believe that the minimum wage should be higher. A lot of people would forever think our results were rigged."

But they aren't laughing at the idea that someone might be listening.

"Milton Friedman, who never was C.E.A. chairman or Fed chairman or anything like that," Professor Krueger said, "is the most influential economist alive today."



Princeton economists David Card, left, and Alan Krueger.

They use control groups in their research, and test minimum-wage theories by surveying the managers of fast-food restaurants.

ness," he said. "The conventional economic model ignores those concerns. It assumes people make decisions about where to work, how hard to work or how to treat customers on purely economic grounds."

They also caused a stir challenging the usual thinking about benefits that the law sometimes requires employers to offer their workers — health insurance, workers compensation and the like.

Professor Krueger studied pay and benefits in the trucking industry and concluded that the workers — not the employers — are the ones who ultimately pay for the benefits. When benefit costs are pushed up by either market forces or government mandate, wages tend to go up more slowly. In states with high worker compensation coverage, pay tended to be commensurately lower.

And most economists will say that a surge

A Governor's Brave Stand on Illegal Aliens

By Alan C. Nelson

SACRAMENTO, Calif. Gov. Pete Wilson of California recently made reasonable recommendations for Federal action to help stem the flow of illegal immigration to the U.S. His critics tried to derail the discussion by de-

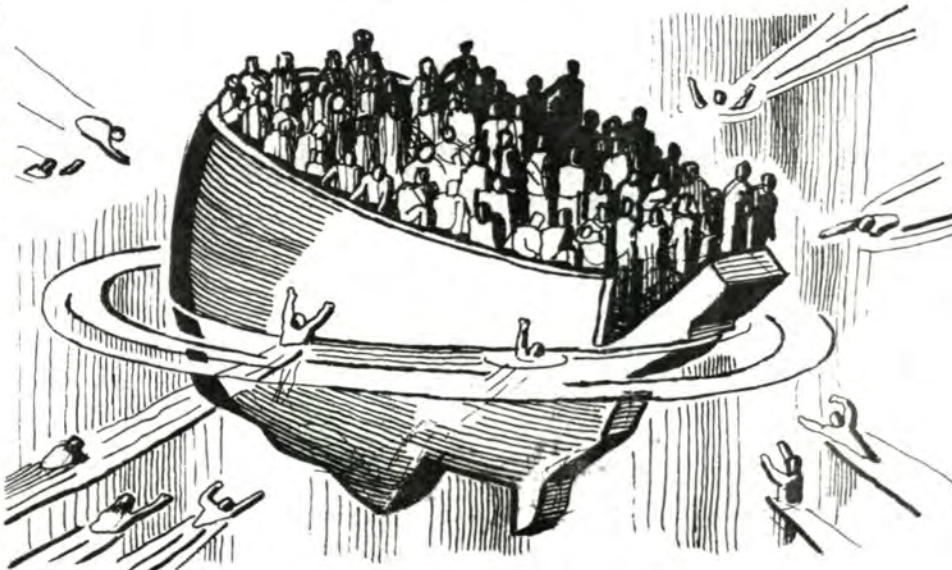
Pete Wilson's proposals are realistic.

nouncing his plans as nativist and insensitive. But his proposals, and the many other ideas for reducing the heavy social service burden on state budgets, deserve to be openly debated. Millions of people are in the U.S. in violation of the law. We must treat them humanely, but that does not mean we should allow them to stay.

Despite the critics' outcry, there is popular demand that illegal immigration be stopped. Polls show that 80 to 90 percent of Americans — black, Hispanic, white and Asian — favor tighter policies. Politicians are taking heed: liberals and conservatives admit that the burden of the illegals is too heavy, in education, health and welfare benefits, and can no longer be tolerated.

To succeed, reforms have to be bipartisan, as Congress's passage of

Alan C. Nelson, Commissioner of the Immigration and Naturalization Service from 1982 to 1989, is a consultant to the Federation for American Immigration Reform.



the Immigration Reform and Control Act in 1986 proved and bills now being passed by the California Legislature establish. Changes must be comprehensive, taking place in all areas: foreign and trade policy, border control, employment, welfare and health services, education, housing and crime.

Consider Governor Wilson's specific proposals:

1. The approval of the North American Free Trade Agreement to specific cooperation by Mexico to stop illegal immigration. For example, the U.S. should require a jointly shared border crossing fee and use the money to improve immigration inspections and enforcement and to return

illegal migrants to their homes in Mexico, not just over the border.

The Bush Administration buried its head in the sand on the issue of linking immigration reform to Nafta. The Clinton Administration has made side agreements to the pact on environmental and labor issues, but not yet on immigration.

2. Seek Congressional action or a constitutional amendment to change the rule under which children born in the U.S. to illegal aliens are automatically given citizenship.

What other country has such loose citizenship rules? Two-thirds of the births in Los Angeles County Hospital are to illegal aliens. The mother applies for welfare, knowing the child is

eligible, and lives off the grant. Twenty-three percent of the Los Angeles County welfare load consists of children of illegal migrants, the fastest-growing group of welfare dependents.

3. Stop Federal benefits to illegal aliens. It is against Federal law for illegal aliens to receive welfare, but the system is a sieve. There is too little cooperation and sharing of information between agencies to prevent abuses. A computer checking system, enacted with the immigration control act in 1986 to keep illegals from receiving benefits, works well. But it must be expanded to all benefit programs.

Governors can also act. State and local legislation, regulations and actions often undercut the Federal law and paradoxically assist illegal aliens in obtaining jobs and benefits.

The idea that illegal aliens would receive regular health care or insurance under a final Clinton health plan is ludicrous. That idea creates a magnet and must be dropped. Emergency care is different. No one, including Governor Wilson, would deny such care to anyone.

Some critics complain that Mr. Wilson did not emphasize stricter penalties on employers as a way to control illegal immigration. He should do this, but that does not mean his other ideas are not worthwhile, too.

Let the public's voice be heard. It wants the rhetoric translated into specific and responsible actions. □

A Scandal Without a Crime

By Philip K. Howard

The juicy scandal involving top aides to Mayor David Dinkins has heated up the mayoral race. One prominent head has already rolled, that of the Budget Director, Philip Michael.

A close look at the scandal sheds light on considerable hypocrisy and no discernible fraud.

Mr. Michael and the First Deputy Mayor, Norman Steisel, have been excoriated, not for secret influence-peddling but because they openly backed a plan to privatize parking ticket collections. They supported a proposal by a division of Lockheed, which has a record of government scandals, that promised an extra \$100 million in annual collections.

A city investigative report accused the officials of "favoritism." The term seems to be used here as a pejorative synonym for "enthusiasm." There was no suggestion of payoffs or other illicit acts. Nor was there any suggestion of back-room dealings, although one former employee said he almost "wet his pants" when he arrived at a meeting to find Mr. Michael, all by himself, talking to Lockheed representatives. This seems a little overwrought.

The important fact is that Mr. Michael, far from lurking in the shadows and cleverly manipulating the system, was pounding the table for

Philip K. Howard, a lawyer, is writing a book on the failures of law.

this deal. He wanted to take responsibility. It would be unusual for a sleazy politician to reach for responsibility.

According to the report, bias was established by the fact that Mr. Michael took "affirmative action" in promoting Lockheed's proposal. Other telltale indications were that Mr. Michael and Mr. Steisel devoted "unusual time and attention" and argued "forcibly in favor" of the plan. These allegations, if they can be called such, are completely innocuous. It seems that the two men believed the pro-

believing that taxpayers would appreciate \$100 million in extra revenue, actively intervened.

The scandal's unspoken premise is that government contracting should be as neutral as judicial process: everything should be formal, each party take its turn and nothing should be decided until the end. It is hard to imagine a more inappropriate model than a courtroom for these kinds of decisions. The already clogged gears would grind to a halt as inept or manipulative vendors argued that they had not been treated fairly or given equal access. The litigation would last forever.

If there is a villain, it is an absurdly complex, sanctimonious process that pretends to eliminate human judgment in areas where the public's best interest demands good judgment. We don't need greater adherence to process. Delay and phony moralism are the hallmarks of New York's tortured system. We need public officials who are willing to stand up and take responsibility. They might get something done. If not, we would know whom to blame. Fraud, which thrives in dense procedural thickets, withers in daylight.

It appears to me that the sin of Mr. Michael and Mr. Steisel was that they had a point of view and the nerve to stand up in meetings and argue forcibly for it. Of course, if it is discovered that they had economic or other personal interests in Lockheed, they should be held accountable. But if they were strong-minded officials doing what they thought was right, we should give them an award and try to find more like them. □

New York City's contract process is the real villain.

posal was in the public interest.

Another accusation is that Mr. Michael offered the city transportation agency better treatment in the budget if it approved a trial project by Lockheed. The investigation described this as "unethical." It sounds more like standard politics.

New York City's contracting process is a notorious quagmire. To quote a recent city report, it is "awash in a sea of paper, plagued by inordinate delays and clouded by unclear and inconsistent rules and procedures which slow city business to a crawl." With this nearly inert system, it is hardly surprising that the Budget Director and the First Deputy Mayor



Some Advocates of Enterprise-Zone Concept Find Little to Cheer in Democrats' Legislation

By LAURIE MCGINLEY

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — For more than a decade, Jack Kemp was the nation's most relentless champion of enterprise zones to help distressed inner cities — to no avail. But now that the Democrats finally have enacted the idea, all he can muster is a Bronx cheer.

"It's a tragedy, it's a hoax," says Mr. Kemp, a former Republican congressman and housing secretary. "It's not empowerment or enterprise, and anyone who voted for it should be ashamed."

"It is ironic that you had the Democrats pushing forward on this and every Republican voting against it," says Stuart Butler, director of domestic policy studies at the Heritage Foundation, a conservative think tank. "But the basic elements of their plan are upside down or just wrong."

The legislation, approved by Congress as part of its deficit-reduction package, is substantially different from some earlier versions pushed by Mr. Kemp, his conservative allies and some Democrats in an effort to combat high unemployment, high crime and welfare dependency, and spur an urban economic renewal. Rather than bestowing tax breaks on hundreds of areas — from "East Harlem to East Los Angeles," as Mr. Kemp likes to say — the legislation will give the lion's share of \$3.5 billion in tax incentives and grants to just six cities and three rural areas. Funneling most of the benefits to a handful of cities is sure to make the selection process a bloody one, critics say.

And rather than providing the sweeping capital-gains tax relief that Mr. Kemp is pushing, the main break is wage credits for businesses operating in the zones. "I'm all for lowering the cost of labor," Mr. Kemp says, "but there's nothing in here that does anything to encourage capital to flow into the areas of the country that have been redlined" — discriminated against in the granting of credit.

Described as First Step

But supporters argue that the legislation is a crucial first step in crafting an urban policy for a country that has largely ignored festering inner-city problems. Even as urban violence and decay has worsened over the past decade, Washington has done little to break the cycle of despair and destruction.

After last year's riots in Los Angeles, then-President Bush vetoed a bill creating enterprise zones because it also raised taxes. Now, President Clinton has seen his modest urban agenda founder amid budget and management headaches.

Against this backdrop, supporters say that enterprise zones, though still largely unproven and controversial, establish an important precedent that down-and-out communities should be helped into the economic mainstream. "This is a significant pilot program that, once proven successful, we hope will be expanded and

replicated," says Jerry Abramson, mayor of Louisville and president of the U.S. Conference of Mayors.

And Sen. Donald Riegle, a Michigan Democrat, says the legislation was an important step to add direct funding for social problems, suggesting that the Kemp approach relied too much on tax breaks. "Distressed communities can't begin to turn themselves around while most of the work force lives in dilapidated housing, has inadequate access to child care and inadequate education," Sen. Riegle says.

Other congressional proponents, however, are quick to acknowledge that the legislation is far from perfect. Referring to its limited scope, Democratic Rep. Charles Rangel of New York says, "How can I feel so great?" Still, he's hoping that the zones will be successful in showing "in a dramatic way what you can do with people who society has given up on, if you give them some attention" and economic opportunities.

Nine Super Zones to Benefit

The legislation creates nine super zones, called "empowerment zones" — five in big cities, one in a medium-size city and three in rural areas to be selected by the secretaries of housing and urban affairs and agriculture. The areas will share federal largess totaling \$2.5 billion in tax incentives, mostly wage credits to encourage the hiring of zone residents, and \$720 million in social-service grants. And they'll get authority to use tax-exempt bonds to help finance a variety of businesses; currently, bonds of this kind can be used only for manufacturing facilities.

Businesses in the zones will also be allowed to deduct more of the cost of certain business property in the year it is purchased.

An additional 95 areas — 65 urban, 30 rural — will be selected as "enterprise communities," eligible for the special bond rules, plus \$280 million in grants.

The administration was determined to steer the bulk of the benefits to a small number of cities in an effort to really test the program. But from the start, that also has been its biggest political vulnerability.

"There are too few real zones and too many quasi-zones," says Sen. Joseph Lieberman, a Connecticut Democrat who is a longtime supporter of the enterprise-zone concept. He urged his colleagues to approve 50 to 75 zones that would get extensive benefits, but not what he considers the excessive goodies that now are targeted for the super zones.

He is concerned that even if the subsidies for the empowerment zones are effective, they will be too costly to replicate on a broad scale.

Many city representatives, while supporting the legislation as a first step, are simply dismayed that they will be left out. Cities will be chosen on a competitive basis after submitting applications, but New

York, Chicago and Los Angeles already are considered shoo-ins. "That leaves the rest of the country to fight over the remaining three spots," says Jeffrey Finkle, executive director of the National Council for Urban Economic Development, which represents local economic development officials. "That's terribly unfair to Gary, Ind., Youngstown, Ohio, and Pittsburgh. You are creating a new entitlement for a select number of cities."

Plan Criticized

Frank Shafroth, director of policy and federal relations for the National League of Cities, which has many small and medium-size cities among its members, says, "the nine zones are in Fat City, while the 95 other ones get S&H green stamps."

But supporters of the approach say it's wise to provide extensive benefits to a limited number of areas, rather than spreading paltry benefits on a massive scale.

One of the biggest policy debates involving enterprise zones over the years has been not only whether tax incentives will work, but what kind of incentives to try. For Mr. Kemp, the centerpiece of any enterprise zone proposal should be the elimination of the capital gains tax on anyone who works, saves or invests in the zones. This, he says, would greatly increase the seed capital flowing into America's low-income communities and reward entrepreneurs.

But Eugene Steuerle, a senior fellow at the Urban Institute, says "capital gains relief doesn't make a lot of sense." For one thing, he says, "it's hard to control. Are your gains related to activity in that

Creating Tax Breaks

Here are the main elements for the empowerment and enterprise zones created under the budget legislation.

EMPOWERMENT ZONES

NUMBER:

- Nine. Five big cities, one smaller city and three rural areas.

BENEFITS:

- \$2.5 billion in tax incentives, primarily wage credits. Employers in zones could take credits equal to 20% of the first \$15,000 of worker's wages, for a maximum of \$3,000.
- \$720 million in direct grants over two years for social services spending on child care, worker training, education and other needs.
- A change in bond rules to allow tax-exempt bond financing to be used for non-manufacturing businesses.

ENTERPRISE ZONES

NUMBER:

- 95. Sixty-five urban and 30 rural communities.

BENEFITS:

- Same change in bond rules as above.
- \$280 million in grants for social spending.

Source: Congressional Record

Memo / Reed / Galton
What's the answer to this?

THE WALL STREET JOURNAL MONDAY, AUGUST 9, 1993

area or related to sales in other places?"

Mr. Steuerle has a more basic concern about all enterprise-zone proposals. "The central difficulty is that, by their very nature, they discriminate on the basis of geographic location," he says. "So you are giving away tax credits to McDonald's on one side of Broadway, but not to Burger King on the other side. You have discrimination against workers in those other areas, and you can't do it for long without creating anger and resentment."

REVIEW & OUTLOOK

Dealing With the 'Honest Person'

Periodically, the government throws a wetlands "felon" in jail, enacts a retroactive tax or singles out some company for regulatory harassment to please a screaming activist group. At times like these, the natural question is, "Is the government an honest person?"

We borrow the phrase from John Cibiinic, the noted contracts authority at George Washington University's law school, who places this important question at the heart of some interesting cases percolating up from the federal bench. Because these lawsuits have to do with the savings and loan debacle and could cost the government billions of dollars in damages, they may actually point to a healthy change in Washington's atmospherics.

We've followed in particular the case of Glendale Federal Bank, which way back in 1981 was enticed by the Federal Home Loan Bank Board into buying a failing Florida thrift. The lure was the promise of "supervisory goodwill" that could be counted as capital. In return, Uncle Sam was relieved of having to pay off the failing thrift's depositors.

This deal and others like it were unilaterally abrogated by FIRREA, the law enacted by Congress in 1989 to spank the good remaining members of the S&L industry, which had made Congress look bad. Virtually overnight, Glenfed and dozens of thrifts that had relied on the government's own agreements found themselves insolvent and in danger of being seized and shut down by regulators.

Now the legal question here is whether the government's sovereign immunity from lawsuit allows it simply to slough off the sort of promises it made to Glenfed. Traditionally, sovereign immunity hasn't extended to acts undertaken by government as a party to a contract.

But in a murky ruling in May, the appeals court for the federal circuit in Washington, D.C., ruled that Glenfed and others don't have a claim for damages because they didn't have contracts. And even if they did, the court added, the "sovereign acts doctrine" gives the government carte blanche.

In her dissenting opinion, Judge Pauline Newman observed that the banks and their regulators would have been surprised to hear that their agreements meant nothing. "These documents were explicit as to the financial obligations of all par-

ties, the conditions and mutual promises by which these commitments involving millions of dollars were made."

If the majority's ruling were to stand, doing business with the government would become little more than a crap shoot. But the court clearly hasn't finished its work.

The Glenfed decision flies in the face of another decision by the same court in July. This time the plaintiffs were two satellite companies who'd been stiffed by NASA for shuttle launches. The court concluded that while "the President or Congress" are free to make sovereign policy, that doesn't excuse the government from paying damages when it breaks its contractual word.

Having confused everybody with these dueling rulings, presumably the full appeals court panel will let us know what it really thinks. It agreed last week that all 11 judges would take a second look at Glenfed's case. The next stop is the Supreme Court.

While all this legalism has been going on, Glendale has held up its end of the original bargain. Last week, through the herculean efforts of CEO Stephen Trafton, it somehow raised \$425 million in fresh capital from institutional investors. With any luck, taxpayers are probably off the hook for the \$2.5 billion it would cost to shut Glenfed down.

Of course, this recapitalization also dilutes the existing shareholders down to pocket change. Maybe these unfortunates will now take to the lecture circuit on what it's like being "partners" with Washington.

It's worth recalling that FIRREA was driven in the first place largely by Congress's desire to deflect the public's S&L fury away from that august body's own role in the fiasco and onto someone else. Congress, of course, was present at the creation, beginning with Fernand St Germain's midnight legislative exertions and running through the Jim Wright and Keating Five scandals. In particular, the record makes clear that Congress knew it was suckering people with whom regulators had made solemn agreements.

The private sector's standard rap on Washington is that it's oblivious or worse to the impact of its policies in the real world. If some big awards in these S&L cases helped concentrate a few minds, it wouldn't be a bad thing.

THE PRESIDENT HAS SEEN 8/30

Clinton's Naivete On North Korea Could Be Deadly

By LARRY DiRITA

At a news conference yesterday in Seoul, a stunning announcement was made by a North Korean defector who worked in that country's Defense Ministry for five years: Pyongyang has finished work on two of four missile bases that the defector says will be used to target American military installations in Guam and Japan. In light of other recent actions by North Korea, this development does not come as a total surprise. But it does serve as a reminder that the Clinton administration's weak-kneed policy toward the communist government is naive and, unless altered, could allow North Korea to satisfy its Cold War objectives.

While the administration has been transfixed by events in the former Yugoslavia, President Clinton seems prepared to let an avowedly hostile regime develop an offensive nuclear capability that would destroy the delicate balance of power in East Asia. The conflict stems from an announcement made March 12 by the North Korean government that it intended to withdraw from the Nuclear Non-Proliferation Treaty in order to prevent international inspection of its nuclear weapons program.

In response, Mr. Clinton offered to cut a deal. If North Korea agreed to honor the treaty, the administration promised to: (1) cancel the annual U.S.-South Korea joint military exercises, (2) never use nuclear arms against North Korea and (3) support international inspections of nuclear facilities in South Korea.

Accepting none of the offers but hoping to buy more time, North Korea "suspended" its decision to withdraw a day before it was to go into effect. Pyongyang has subsequently agreed to begin further consultations with the International Atomic Energy Agency. Early resolution is nowhere in sight (even though the Clinton administration has called the embarrassing stalemate "a step in the right direction"). Meanwhile, North Korea continues to quietly develop its nuclear missile program.

Japan is one of many countries that has expressed concern about the nuclear threat posed by North Korea. Tokyo has warned that its own continued support of the Nuclear Non-Proliferation

Treaty cannot be guaranteed, implying it may develop its own nuclear capability. The CIA estimates that North Korea may already have produced enough plutonium to develop a nuclear bomb, and its director, James Woolsey, has further confirmed that North Korea has tested a ballistic missile capable of reaching Japan.



Kim Il Sung

Politics in Arkansas

Last year, voters in 14 states approved term limit measures by an overall margin of 2 to 1. Don't expect the mossbacks to go quietly. In several states, the political establishment has brazenly decided to sue the people to protect career officeholders.

House Speaker Tom Foley refuses to even allow a committee hearing on a constitutional amendment to impose term limits nationwide. But he can't wait to have his day in court on a lawsuit he has joined to overturn Washington state's term limit law.

The fact is that for all the rhetoric about whether limits are constitutional, the objections from the incumbents are essentially *political*. They don't want to give up what for most of them has simply become a career, what they do for a living. So now they're going to any lengths to run around the people who see term limits as a means to restore the idea of public service to political office.

Exhibit A at the moment comes from Arkansas. Last month, a state circuit court judge in Little Rock tossed out a term limit initiative that had been approved by 60% of the voters last year. Judge Chris Piazza's decision is remarkable on several counts.

First, according to the Arkansas Democrat-Gazette, the only statewide newspaper, the judge's eight-page opinion "was written out and ready to be distributed before he had heard the arguments." Second, Judge Piazza tossed out the law's Congressional term limits by citing a case in which the Supreme Court ruled that Congress couldn't add its own qualifications for service in that body. However, the Supreme Court was completely silent on what power the states retained.

Finally, the judge invalidated the term limits for state legislators on the incredible premise that the people didn't know they were amending the

state constitution. He ruled that since the amendment did not begin with a three-word clause, "Be it enacted," the entire law is invalid.

This last ruling has astounded state constitutional experts. Dick Hatfield, an attorney for the state, says the judge's logic would overturn several parts of the state's constitution, including amendments legalizing horse racing and voting machines.

Judge Piazza's decision has at least focused attention on Arkansas's peculiar political mores. It's the only state in which all judges are elected on a partisan basis, and in which the political parties run the primaries that usually select judges. To run for judge, candidates must pay a filing fee of between \$5,000 and \$8,000, not to the state but to the political party they belong to. And get this: Democrats, who control 74 out of 75 county court-houses, also require a "loyalty oath" of all judicial nominees in which they pledge to support the party and all of its candidates.

Since the Democratic Party is the most vociferous opponent of term limits in Arkansas, Judge Piazza might well have committed political suicide if he'd upheld term limits. He will hold a final hearing on his decision tomorrow. It will then be appealed to the Arkansas Supreme Court, made up entirely of Democrats who've also signed a party loyalty oath.

While he opposes term limits, Democratic Governor Jim Guy Tucker is worried nonetheless that the expressed will of the people may be thwarted on a dubious technicality. That would only deepen public cynicism about government. He told us that if the law is struck down voters will likely pass it again by a bigger margin. Next time, the drafters may be sorely tempted to add additional term limits—for judges.

Asides

Discharge Rumbles

Some House Members have complained that we listed their names among the 223 Members who haven't joined Rep. Jim Inhofe's effort to end secret discharge petitions. Speaking for the non-signers in today's letters column, Rules Committee Chairman Joe Moakley claims that ending secrecy would mean more power for lobbyists and special interests. We'd have thought that taking a stand against such forces came with the job. We suspect that

Mr. Moakley is fundamentally worried that his Rules panel would lose its hammerlock on bills. Some Members aren't listening to him. Democrats David Mann of Ohio and Barney Frank of Massachusetts have told constituents recently that they favor ending the secrecy rule. Rep. Frank says the issue is simply about whether House Members support open government. Three more Members will give Rep. Inhofe the majority that he needs to let some sunshine into Congress.

Pyongyang is apparently willing to negotiate its threatened withdrawal from the Nuclear Non-Proliferation Treaty, but its actions speak louder than its words. In a recent policy paper expressing cautious optimism about the North Korea-South Korea dialogue, the South Korean Ministry of Defense outlined the military buildup that has been taking place in the North since late 1991. In nearly every category, North Korean force levels are on the rise. There are now more troops (more than one million), tanks (3,700), artillery pieces (9,800) and tactical missiles (370) poised to strike the South than when the joint talks began.

At the same time, a leadership succession is unfolding in the North. In a process that began in 1973, "Great Leader" Kim Il Sung is gradually ceding power to his son, "Dear Leader" Kim Jong Il. The younger Kim, with no military experience and no natural constituency within the armed forces, has been courting his officers with high-visibility participation in military ceremonies and awards presentations. The military buildup has taken place since he assumed supreme command of the armed forces in December 1991, and it seems likely that the initial decision to withdraw from the Nuclear Non-Proliferation Treaty was made by Kim Jong Il with an eye toward his restive officer corps.

The junior Kim can only feel emboldened by what his belligerence has produced: (1) additional time to continue building a nuclear weapon, (2) the possible end to "Team Spirit," the thinly veiled U.S.-South Korea preparation for war with the North, and (3) direct dialogue with the global superpower, greatly enhancing North Korea's world-wide prestige.

President Clinton will need more than words to resolve this crisis. He must make his objectives clear, and back them up with the promise of credible diplomatic and military action. Rather than trying to appease one of the last remaining Stalinist dictatorships in the world, Mr. Clinton should specify the date by which North Korea must open its suspect facilities to international inspection. If it fails to do so, he should seek U.N. economic sanctions with an established deadline.

After that, military measures must be considered. While it's too late to attack the suspect nuclear facilities themselves (because of the potential for the release of radiation), destroying military headquarters, ballistic missile launch sites, or command and control facilities would send an equally compelling message and give the North Korean military command pause to consider the sagacity of its Dear Leader.

Above all, U.S.-South Korea joint military exercises must not be suspended. Under the circumstances, such a concession by the U.S. would only be perceived as weakness, further emboldening our adversaries and discouraging our allies in the region. During the presidential campaign, Mr. Clinton correctly identified the spread of weapons of mass destruction as one of the most difficult post-Cold War challenges we face. Now he has an opportunity to meet that challenge.

Mr. DiRita is deputy director of foreign and defense policy foreign policy at the Heritage Foundation in Washington.

Bo Rubin

For Economic + Political
Question — we should
see whether we can do more,
more clearly, more publicly,
+ w/ constructive help.
Pls get appropriate folks to
think about this, make us
a proposal — (Don't include
discuss - Guelton).
BC

William Raspberry

Where Are the Black Entrepreneurs?

John Shipley Butler tries hard to avoid putting anyone down. "It's not a question of either/or," he keeps saying. But for all his gentleness of tone, he cannot suppress his belief that black America made a near fatal mistake when it abandoned business as its principal route to the American mainstream.

"Abandoned" is the right word, says this University of Texas [Austin] professor of sociology and management. "We have a strong history as entrepreneurs, going back to the 1700s," he said in a recent interview. "Blacks were the Jews and Japanese of America, the owners of small shops not just in the black sections but all over town. And the descendants of those entrepreneurs have, like recent Asian immigrants, overwhelmingly sent their children to college and into the professions."

So what went wrong?

Principally, the 46-year-old Butler believes, it was the displacement of entrepreneurs, who used to constitute the black leadership, by ministers and, to a lesser degree, politicians.

"There's nothing wrong with preachers and politicians per se," he says. "We need what they bring—the spiritual element and the need for political involvement. But going back to the 1950s and the beginning of the civil rights movement, we began moving away from business to politics. The result is we have become too focused on fairness—what somebody is doing to us or not doing for us—and almost contemptuous of business, especially small business."

"As a matter of fact, a focus on rights practically forces you to think in terms of victimization. A focus on business forces you to look for opportunity. That's the main difference between us and, say, Vietnamese Americans."

"If there is to be a 'third movement' [to follow the desegregation and civil rights movements], this is where we ought to place our focus."

Butler explores these ideas, based on his extensive research, in his recent book, "Entrepreneurship and Self-Help Among Black Americans: A Reconsideration of Race and Economics."

He won't discount the importance of the civil rights battles led by the preachers and politicians. Indeed, he owns that he has benefited from those fights. But most of the benefits, he argues, went to people who were, like him, credentialed. What we have overlooked, he says, is that entry level entrepreneurs are not bound by credentials. All they need is an idea and the ability to sell it to financial backers, including family and friends.

"I remember asking an East Indian I interviewed for my book how it happened that so many of his fellow-ethnics were in business. He told me a lot of them could not get decent jobs because they didn't have the credentials, or even the language. He put it this way: 'In business, you only have to learn to say two things: \$2.95 and thank you.' Their children, of course, will go to college."

But it isn't just the chance to bypass the credentialing game that accounts for Butler's devotion to entrepreneurship.

"My research shows this phenomenon that is just remarkable," he says. "Along with entrepreneurship will automatically come other values. The movement toward small shops is virtually always followed by a movement toward higher education, the development of private schools and the building of community institutions. But it begins with the small shops. We can't prove why, but it's a fact."

His own guess is that community entrepreneurs invest in their communities—out of their self-interest as neighborhood residents—and also are on hand as valuable role models.

"Community entrepreneurs are interested in education, recreation, crime control—everything. They provide jobs and role models for neighborhood kids. They help support the schools, sponsor Little League baseball, send kids to camp. All those things are in our tradition, but in our focus on political equality, we've lost them."

"Well, not entirely. Durham, N.C., still understands it. In the 1920s and '30s, Durham was considered a model of black economic and southern success. All the literature said Durham could point to the [white] Duke Tobacco Co. and [black] North Carolina Mutual as examples of southern progress. Durham still has one of the highest percentages of black college graduates in the country along with its high rate of professionals and entrepreneurs. A high percentage of Durham's black business leaders are running businesses founded by their parents and grandparents."

"And they serve the community. Mechanics and Farmers Bank, for instance, has developed black shopping centers, built black homes, spawned black jobs and is now branching out into the whole Durham area."

Butler offers one last reason for his emphasis on business: a study in the *National Journal of Sociology*.

Early Vietnamese immigrants—despite such advantages as relatively better English, prior socialization to Western culture and access to various forms of governmental assistance—lagged behind Chinese and Korean immigrants, who had none of these things, in their economic development. Their sponsors found them jobs, but they had trouble moving up.

"You know when things changed? When they started to become entrepreneurs. Now they've caught up to their Chinese and Korean counterparts. Shouldn't that tell us something?"

MONDAY, AUGUST 9, 1993 THE WASHINGTON POST

Bob Rubin
presenting Argentina

B.

8/30

The Outlook

U.S. Economic Growth Is Rising in Quality

NEW YORK

The U.S. economy, for all its ailments, may be surprisingly healthy.

That is not to deny its formidable problems. Despite the passage of President Clinton's budget plan, the enormous federal deficits will linger on like a nagging backache. Private-sector debt and a dismal savings rate will keep hampering productive investment. The job market seems likely to remain disturbingly weak for years. U.S. trade deficits will continue to be huge.

At the same time, some signs of health have been widely hailed. Inflation has been gradually cooling for years and, in view of the global deflationary pressures, probably won't heat up anytime soon. The slow pace of economic growth should delay the onset of the capacity constraints that typically precede recessions. The unemployment rate has been gradually sliding despite the impending tax increases. Industrial restructuring has finally stepped up the frustratingly slow increases in productivity and should continue to sharpen American companies' ability to take on foreign competitors.

But generally "going unappreciated is the higher quality" of U.S. economic growth, Alexander Paris of Barrington Research Associates comments. For starters, he notes that "artificial government fiscal stimulus has played a much smaller role" in this recovery than in past ones and that this change "reduces the economic distortions" federal spending usually causes.

Not that the government isn't spending—and wasting—prodigious amounts of money. But the growth in its spending has slowed. And while federal transfer payments—programs such as Social Security that merely redistribute money from some Americans to others—are soaring, government purchases of goods and services have dropped 9.4% since the 1991 first quarter. Such purchases are economically more significant, and they are soaking up less real wealth.

This change in federal spending is most obvious, of course, in the drop in defense expenditures. It also is evidenced in the fiscally strapped government's inability to speed the economic recovery through pump-priming programs. President Clinton couldn't push a relatively modest \$16 billion plan through Congress, and talk of vast outlays on roads and other infrastructure projects has tailed off into oblivion.

The upshot: Recent economic growth has come, in large measure, from the private sector rather than from government. It is, as businesspeople used to say, "sound."

That perception is strengthened by the Federal Reserve's tight control over the money supply. Though modestly expansionary ever since the late 1980s, monetary growth hasn't been wildly stimulative—and isn't likely to rekindle inflation very quickly.

The relatively sound fiscal and monetary policies are being matched by newfound sobriety in the private sector. John E. Silvia, the chief economist of Kemper Financial Services Inc., notes that "businesses remain cautious about the amount of debt on their balance sheets, especially given the stage of the business cycle"; they now might be expected to be borrowing heavily. And Mr. Paris observes that "inventories relative to sales are at record low levels" for such a period; this moderation, which probably owes as much to new inventory-control techniques as it does to caution, may help avoid the excessive stock buildups that have eventually crimped past recoveries.

In any event, the wildest excesses of the 1980s—the crazy overbuilding of offices, stores, banks, hotels and apartment houses—have faded away like a bad dream, leaving behind only the debris. In most cities, office vacancy rates are slowly falling. And even though home-mortgage rates have dropped to 20-year lows, few people are now buying far bigger houses than they really need; they have lost their misplaced confidence that prices can only go up.

In addition, the 1980s mania for funny-money acquisitions and wildly leveraged buyouts has blown over. Even Wall Street has nearly come to its senses.

The fading of speculation, whether on buildings or on corporate acquisitions, can free funds for productive investment.

Meanwhile, capital spending is maintaining a decent pace even though the investment tax credit proposed by Mr. Clinton has been rejected. The spending is heavily weighted toward investment in productive equipment, especially computerization, rather than toward reckless expansion of capacity that may or may not be needed—though admittedly some manufacturers are running the risk of being unable to meet demand if it does suddenly surge.

Getting the industrial dinosaurs back into shape has caused a lot of pain, but it also has eliminated many no-longer-needed jobs and thus has improved the chances for major gains in productivity and thus living standards in the future. In addition, the increasing use of temporary workers and outside business services, which accounts for much of the drop in manufacturing payrolls, produces more than just fleeting benefits. Flexible hiring patterns force difficult adjustments on many workers, but they also bolster American companies' already-huge advantage over foreign competitors constrained by rigid job-protection laws.

Meanwhile, a surge in U.S. exports to Latin America and Asia is reducing U.S. exporters' traditional reliance on sales to Europe. Such diversification should prove beneficial. And U.S. companies' strength in business services, a rapidly growing field world-wide, augurs well for exports.

So, the American economy clearly enjoys better health than its many problems would seem to indicate. Growth may be slow, but its quality is high.

—HENRY F. MYERS

THE WALL STREET JOURNAL MONDAY, AUGUST 9, 1993

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MONDAY, AUGUST 23, 1993

Nation

The

One Year After Storm, Victims Still Struggling

By LARRY ROHTER

Special to The New York Times

HOMESTEAD, Fla., Aug. 22 — Victor and Diane Brantley thought that their lives would surely have returned to normal by now, that a year after Hurricane Andrew ripped through South Florida they and their four children would not still be living in a cramped trailer in their backyard.

But they say the contractor they paid \$44,305 to rebuild their storm-damaged house absconded with their money and then went bankrupt, and Mr. Brantley, a 44-year-old prison guard, had a stroke that forced him to give up his job. Mrs. Brantley, 42, earns \$9,800 as a teacher's assistant, but says she is staggering under the weight of being the family's sole breadwinner as well as her own contractor on a shoestring budget.

"It feels like it's been two years, not one," Mrs. Brantley said wearily as she stood outside the family's trailer one afternoon last week, recounting the travails since the hurricane struck on Aug. 24, 1992. "It seems like we lost a whole year out of our lives somewhere."

Psychic Scars Remain

A year after one of the worst natural disasters in American history inflicted \$30 billion in damages, the most visible scars have begun to fade in the southern half of Dade County. The arching green canopy of tropical trees has blossomed again, and the piles of debris that clogged the streets have virtually disappeared. Thousands of new and rebuilt houses glisten with fresh pastel colors.

But nature and the landscape have had an easier time recovering than the 350,000 people who lived in the area when the storm roared through with wind gusts of up to 198 miles an hour. Worn out by battles with contractors, insurance companies and bureaucrats, discouraged by the difficulty of finding jobs and housing, aware that the focus of national attention and sympathy has shifted to the flooding in the Midwest, many people here are still struggling to restore some sort of equilibrium to their lives.

According to the Federal Emergency Management Administration, which has overseen distribution of \$2.1 billion in Federal aid since the storm, 184,486 requests for assistance were filed before the July 1 deadline. That is "the most ever for a Presidentially declared

disaster," the agency said last week, which explains why an additional \$7 billion in Federal relief is scheduled to be channeled into the state.

Twenty blocks away from the Brantleys, people like Candy Byrd and her three sons say help from government and private agencies has not enabled them to leave the trailer camp where they now languish. To the storm Mrs. Byrd lost both her job, as a cashier in the commissary at the Homestead Air Force Base, and her home, a three-bedroom apartment with a monthly rent of \$500, and cannot find a replacement for either.

Even worse, she and her husband, who was an air traffic controller at the shuttered Air Force base, have since separated.

'I Lost Everything'

She said she is alarmed at the prevalence of crime and drugs in the trailer camp, which is run by the Federal disaster agency, and she has enrolled in a job training program that she hopes will be her ticket back to a normal life.

"It's really painful," she said as she sat on the steps of her trailer one morning last week. "I lost everything, from my furniture to my life's savings, and I have to start all over again. I've had a hard time adjusting to that."

Mrs. Byrd's difficulties in finding work are typical. Officials estimate that 8,000 businesses, mostly small family-owned enterprises, were destroyed or damaged by the Hurricane Andrew, causing the loss of about 55,000 jobs in the disaster zone, the southern half of Dade County. Local planners worry that the estimated average losses of \$22 million a day since the storm will continue indefinitely.

Thus there were celebrations when the Burger King Corporation, one of the largest employers in southern Dade County, recently moved back into its corporate headquarters in Cutler Ridge. But government studies calculate that as of mid-July one third of the area's businesses were probably still not operating, and that about the same proportion of jobs had not been restored.

Along U.S. Highway 1 there is a building whose owners, in a burst of bravado, put up a sign shortly after the hurricane boasting that "Andrew's Gone; We're Here." But now the build-

National Report

The New York Times



"It feels like it's been two years, not one," said Diane Brantley, right, recounting problems with rebuilding after Hurricane Andrew. She stood with

with her daughters Melanie, left, and Natalie, outside their cramped trailer behind their damaged house in Leisure City, Fla.

Phillippe Diederich for The New York Times

ALASKA FISHERMEN BLOCKADE TANKERS

Protest Over Pace of Clean-Up Ends in Standoff With Interior Secretary

ANCHORAGE, Aug. 22 — Fishermen who blocked the Trans-Alaska Pipeline Narrows to protest the pace of the clean-up agreed today to end the blockade after Interior Secretary Babbitt promised more recovery effort.

Mr. Babbitt, on a two-day tour of Alaska, met with the fishermen today and said later that he would ask the Exxon Corporation to pay for them on their pending lawsuit over the 1989 Exxon Valdez oil spill.

The 60-boat blockade, which began Friday and prevented oil tankers from reaching the Trans-Alaska Pipeline terminal, was an effort to draw attention to the spill and the pink salmon in Prince William Sound. Some fishermen attribute the spill to a weak spring tide and the Exxon

The spill, the nation's largest, has nearly 11 million gallons of oil leaked into prime fishing waters.

Mr. Babbitt promised the federal and state trust funds the \$900 million spill settlement from Exxon to buy more salmon-spawning habitat in Prince William Sound, Alaska, hatcheries.

Tankers Turned Back

The blockade had turned back the tanker Atigun Pass, chartered by British Petroleum, which was outside the narrows, and the Wakefield of the Coast Guard. Seven tankers, including the Exxon, waited at the mouth of Prince William Sound.

Fishermen praised the promises. "This is great," said Rick Steiner, a college fisherman in Cordova, Alaska, who led the protest. "It's great to see the government make a commitment."

Exxon officials, who met with the protesters today, said in a statement saying no deal had been established between the turn of pink salmon season.

British Petroleum, which has a contract with the protesters, said J. Hickel, who had asked for a settlement, was not attending.

"I think it's out of the question," said an American company spokesman. "The government doesn't have the will to talk with a bunch of sound," Mr. Babbitt said.

The secretary's report to the General Accounting Office said that the restoration fund for the Valdez spill was awarded through contracts, much had gone to cleanup programs.

The report said that the government was not allowed to cancel the money paid so the Exxon Corporation has been reimbursed state and administrative costs and the cleanup work.

Officials of the Spill Trustee Council reached for comments.

For the unluckiest, no jobs, no homes, no insurance.

Leisure City appears to be abandoned and looks like a shambles.

Except for Sears, Roebuck & Company and a few other smaller stores, the commercial anchor of the region, Cutler Ridge Mall, has been razed. Estimates vary on how long it will be before it is rebuilt and what businesses will return.

Where rebuilding has occurred, it has brought other problems. Some of the thousands of workers who flocked to the area after the storm have been involved in brawls and crimes, and dozens of the building contractors who employ them have been accused of cheating hurricane victims out of mil-

lions of dollars by using shoddy materials or not doing the work at all.

The State Attorney's Office here established a hurricane fraud task force this month to deal with the growing chorus of complaints. But Dade County Manager Joaquin Avino, who has been the focus of much voter criticism about lax enforcement and protection, suggested last week that many homeowners have been too careless.

"When you go buy a car, you make it a point to test drive the car, to check up on the car and really take a look at the car," he told reporters at a news conference. In contrast, he said, too many people rebuilding their homes "have no second thoughts about dealing with an unlicensed contractor, not verifying the contractor or the quality of work the contractor has done before."

Only a Third Rebuilt

County officials estimate that only a third of the 47,000 homes destroyed by the hurricane have been rebuilt. Under fire for permitting the construction of homes that could not stand up to high winds, the county has toughened its building code, and contractors say this has slowed rebuilding and driven up costs.

Still, changes in the code have been limited to Dade County and its two million residents. Officials in neighboring Broward and Palm Beach counties, whose two million residents escaped unscathed from the hurricane, acknowledged that they have done virtually nothing to toughen building codes against future storms there.

Complaints about the insurance industry appear to be even more widespread than those about the contractors or the codes. Seven insurers went out of business once faced with having to pay huge storm claims, leaving thousands of customers in the lurch. An additional 23 are planning to leave the Florida market altogether, and those that remain want to cancel the coverage of nearly 900,000 home and business owners.

As a result, the state has imposed a six-month moratorium on cancellations of homeowner policies. About 88,000 policyholders whose companies went out of business are now covered by a state insurance pool, which means

they should get money to rebuild, while another state-organized group is expected to offer coverage to some 500,000 people unable to obtain insurance from private companies.

Nevertheless, the Prudential Insurance Company has sued for the right to cancel policies during the moratorium. In another case, Allstate, which announced plans to cancel the policies of 300,000 homeowners, and State Farm are defendants in a suit over whether insurance companies should be forced to pay the cost of rebuilding to conform with the current building code.

State authorities recognize, however, that potentially the largest problem is how residents of South Florida will react to the next big storm. Ninety percent of the area's four million people had never been through a hurricane before last summer's, and many of those who were previously blasé are now frightened at the thought of enduring another.

Disaster officials like those at the Federal Emergency Management Agency have promised that next time will be different. "Florida, at all government levels, and FEMA are better prepared," James L. Witt, director of the Federal agency, said last week.

But no sooner had a tropical storm developed off the coast of Africa last month than people grew nervous and local television stations began tracking it as if it were headed straight for Florida. It eventually dissipated over Trinidad and Venezuela, but not before some people rushed to stores for emergency food, others put up hurricane shutters and many began preparing to flee in cars.

"The alarm button goes off," said Maureen Spence, a 31-year-old nurse who admits she watched the news reports with anxiety because of her experience in last year's hurricane. "I know that I'm going next time. I don't know where I'm going, but I know that I'm not going to ride it out again."

State transportation officials estimate that 750,000 people evacuated South Florida before the last hurricane, but other officials say that twice as many are likely to leave before another. The result could be a colossal, and perhaps disastrous, traffic jam.

Hope Seen for Curbing Youth Violence

By DANIEL GOLEMAN

Although statistics show that violence is rising among American youths, a panel of psychologists released a report yesterday offering an optimistic view of what might be done to reverse the bloody tide.

The escalation in violence among young people is captured in statistics like these: a 61 percent increase in the 1980's in shootings committed by Americans 15 to 19 years old, and a 1,740 percent rise in the number of children and teen-agers treated for knife and gunshot wounds since 1986 at the Children's National Medical Center in Washington.

But the American Psychological Association's Commission on Violence and Youth said in the report that other data found in its survey of earlier studies showed that a variety of efforts could help reverse the trend.

"Psychology has a message of hope: violence is preventable," said Dr. Ronald G. Slaby, a psychologist at Harvard University who is one of the commission's 12 members. "Violence is learned, and we can teach children alternatives."

Early Intervention Encouraged

Intervening at an early age, especially from 4 to 8, before children's habits of aggression are fixed, was among the commission's main recommendations. Violence "is learned very early in life, and learned well," said the commission's chairman, Dr. Leonard Eron, a psychologist at the University of Michigan. "Interventions work best if they are started early. The longer you wait, the harder it is to change."

As violence is learned, so can its alternatives be.

The commission recommended efforts aimed at the family, the classroom, the community and the media. The report described as particularly effective programs in the schools that teach social and emotional skills like managing anger, negotiating, adopting another child's perspective and thinking of alternative solutions to disagreements. Children who are already aggressive can benefit from special tutoring along these lines.

The report saw television as one vehicle for teaching children positive alternatives to violence. It called on the Federal Communications Commission to make license renewal for broadcasters depend in part on their providing programs that counter violence, and it asked that violence be sharply curtailed in the hours that children watch television most.

"Television has great teaching potential," Dr. Eron said. "It's just been teaching the wrong things."

'Not an Insoluble Problem'

Another recommendation is that laws be changed to require anyone who purchases a gun to be of voting age and pass a background check and a test on firearm safety. "It should be at least as hard to get a gun as to get a driver's license," Dr. Slaby said.

The report concluded that many of

the factors that lead to violence in youth were "within our powers to change."

Dr. Eron said, "Youth violence is not an insoluble problem."

In tracing the many factors that could help produce a violent youth, the commission noted certain kinds of behavior by parents, especially rejection of the child, a lack of supervision and violent fights between mother and father.

The report singled out parents who harshly and regularly punished children physically, saying that they are only feeding a cycle of violence. While such punishment might make children obedient in the short run, the report said, it led children to become aggressive themselves.

"You first learn violence within the family," Dr. Eron said.

In a 22-year study of 875 boys and girls first observed at age 8, Dr. Eron found that those whose parents used the harshest discipline were most likely to be most violent with their playmates, starting fights and shoving for no good reason. As 30-year-olds, the more aggressive children had grown into violent adults with criminal records, and as parents they were also most likely to use harsh physical punishment with their children, he said.

No Single Cause Is Found

But no single factor could be blamed for a child's turning to violence, the commission concluded. "Youth violence is like heart disease, where many factors build to create the problem," said Dr. Alan Kazdin, a psychologist at Yale University who was also a member of the commission. "All the factors matter, but none means a child will necessarily become violent. Many different paths can lead to trouble."

Among the other factors that contribute to children's becoming violent, the report said, were learning to handle frustration by lashing out, or doing poorly in school and then feeling stigmatized as "dumb," or having trouble learning social cues, leading some children to become social outcasts because they failed to pick up signals that could allow them to interact smoothly with playmates.

Violence on television came in for its share of criticism. "Viewing violence increases violence," and leads to emotional desensitization toward violence, the report said.

In Dr. Eron's study, for example, 8-year-old boys who watched the most violent television programs but were not particularly aggressive themselves at school still grew up to be as violence-prone as other 8-year-olds who had been the most aggressive schoolyard bullies.

Growing up in impoverished neighborhoods with a sense that opportunities are closed because of discrimination against one's group can also lead to violence. The report said discrimination damaged children's self-confidence and laid "a foundation for anger, discontent and violence."

Copies of the report may be obtained by writing Violence and Youth Report, American Psychological Association, 750 First St. N.E., Washington, D.C. 20002-4242.

Chase

- Shulget this - make sure AG has copy
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Orange / GS

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B.

Great exchange
of work next?
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Military Regimen for Teen-Age Dropouts

By MICHAEL WINERIP
Special to The New York Times

NIAHTIC, Conn., Aug. 6 — It was 6:59 A.M. and Arthur Cole, 17 years old, was due in formation in front of his National Guard barracks at 0700 hours. The prospects were not good. Arthur couldn't find his regulation shoes (he was wearing sandals) and he couldn't find his Guard-issued pants (his bermudas were hanging so low his underwear was identifiable).

"Let's go!" barked his platoon leader, Vincent Lafontan, a former marine who was inspecting bunks. "Suck it up! Tighten up your racks!"

Arthur, a former drug dealer from New Haven, was not accustomed to his new hours. Until recently, he would go to sleep at 6 A.M.

In front of the barracks, at attention, stood 120 teen-agers from all over the state. They have one thing

in common: all are high school dropouts who have signed up voluntarily for a new national program, financed by the Federal Government and run by state National Guard units on military bases, that is aimed at helping troubled civilian youths earn high school equivalency diplomas. If these dropouts succeed in the five-month program, they will get a \$2,200 stipend from the Government as a reward.

Still a Few Rough Spots

The young people have been told the program is of great importance to President Clinton, and on this, the official opening day for the first of 10 National Guard Youth Corps camps throughout America, they have been warned, "Look sharp: the President's men are coming to see us."

Of course, like any new marriage, this wedding of the military and these dropouts still have a few

rough spots. "Oh man, we got to wear these hats?" said Arthur, finally reaching his platoon. He did 10 pushups for being late, then fell into formation.

Arthur is an orphan and was eager to enroll here, because he hopes to earn a degree and find a decent job so he can get his younger brother, Tai, out of foster care.

What is beginning here may soon become widespread because its appeal cuts across the political spectrum while addressing two of the nation's most pressing domestic questions: What to do with the military in the post-cold-war era? And how to expand social service programs in a time of budget constraints?

The National Guard's Youth Corps Challenge program, which will operate in 10 states this year, is a case of guns as well as butter.

Continued on Page A13, Column 1

Continued From Page A1

It relies heavily on current and former military personnel to tutor, counsel and discipline the dropouts in preparation for their taking the test for a general equivalency diploma, or G.E.D. This will not be an easy task. The average reading level of the Connecticut group is the sixth grade; 74 percent did not complete their junior year of high school; nearly a third were expelled from school.

Among the program's supporters are Gov. Jim Edgar of Illinois, a Republican, who will open the project in that state on Sept. 1 at a recently closed military base, and Senator Sam Nunn of Georgia, a Democrat who is chairman of the Armed Services Committee. In Connecticut, Gov. Lowell P. Weicker Jr., an independent, has enthusiastically endorsed the program.

It also signals the new President's priorities. Congress approved the program in 1992, but President George Bush did not propose any financing for it. Mr. Clinton signed a \$44 million appropriation on June 11. Besides Connecticut and Illinois, youth corps camps will train a total of 2,500 dropouts the first year in Arizona, Arkansas, Georgia, Louisiana, Maryland, New York (Camp Smith in Peekskill), Oklahoma and West Virginia.

To supporters, the new youth corps is reminiscent of Franklin D. Roosevelt's New Deal and the belief that government can be used creatively to put people back to work. Clinton aides say that while the program predates the President's national service program, it fits well with that strategy. And it has caught the public's imagination. In Illinois there were 1,000 calls to the National Guard's toll-free number in the program's first 24 hours.

The 10 pilot projects are being watched closely by military officials worried about budget cuts and ways to ease the transition of soldiers into a civilian economy.

"To put it undelicately, this is a way for the National Guard to create a role for itself in the 21st century," said Beth Solomon, an aide to Senator Nunn. "It's a post-cold-war response."

The corps is the brainchild of Dan Donohue, the National Guard public relations director in Washington. Press releases emphasize "a peacetime domestic return to the American people on their investment in defense."

Many Applicants for Posts

About half of the Connecticut staff is on active National Guard duty or has served in the military. Mr. Lafontan, the platoon leader, whose job is a mix of counselor and barracks supervisor, spent four years in the Marines and is now a civilian with two bachelor's degrees. Tim Coon, who like all the classroom teachers is state certified, has taught in public high schools and is a lieutenant in the Army Reserve.

There are seven hours of classes a day, covering the academic areas tested for the G.E.D., drug and alcohol counseling, and job-readiness skills.

Financing is generous — more typical of a military than a social welfare program — and there were large numbers of applicants for the 46 staff jobs here. Mr. Lafontan and Mr. Coon will each be paid more than \$30,000 a year. The spending per student is \$18,000.

"Anybody who's anybody wanted this job," says Sgt. Daniel Henderson, a platoon leader who was the state's National Guard Soldier of the Year in 1991.

The dropouts are outfitted from head (red baseball caps) to toe (Adidas sneakers), get a \$15 weekly allowance, books and briefcases. While they march in cadence and usually call superiors "sir," they would never be mistaken for regular military.

Lamonte Brockenberry's corn rows pop out of from the sides of his cap; Ramonita Arroyo's ponytail hangs out of a hole in the back of hers. Donald Bunn, a squad leader who barks orders at his fellow dropouts, wears a hoop earring in his left ear and a red stud in his right. On his way to class, Bunn, as he is known to his friends, spotted a Guard officer and shouted, "How you doing, colonel?"

To qualify for the stipend, the dropouts need to do more than simply get

the G.E.D., which has come under criticism nationally as not carrying the weight of a high school diploma. They must also find a job or enroll in a college or training course.

If they are too young to take the G.E.D., they can earn the stipend by returning to high school. (There is no military obligation for participants.) After completing the five-month session, they will be assigned a Guard member from their community, who will serve as their mentor for a year.

Applicants are supposed to be free of drugs and not currently involved with the criminal justice system (including not being on probation or parole), although many have had such problems in their pasts. Bunn

says he has been "in and out of jail for stealing a car and violating probation." Mr. Lamonte sold drugs and "carried a weapon." Arthur says he stopped dealing because he was scared. "I was shot at and pistol-whipped," he said.

In this first Connecticut group, 58 percent are black or Hispanic, 20 percent are female, 44 percent are from the state's three largest cities, Hartford, New Haven and Bridgeport.

Changing Wayward Lives

While today was the ceremonial opening day, the young people have been here two weeks getting oriented. The challenge at hand is clear. Of 172 accepted, 50 have already left. Most could not take the paramilitary atmosphere and asked to go home; about a dozen were expelled. Earlier this week, four were arrested on the base by the police for third-degree assault, accused of beating up a student in the barracks.

And yet, to spend time with the three-quarters who remain is to find considerable hope. They are motivated. They have not been ordered here by a judge; they have all decided, for

their own reasons, it is time to change.

"I ain't going nowhere without that degree," said Damon Mesite, who wears his ponytail tucked under his hat. "I've been screwing up for two years, fighting and stuff, and I decided I might as well do it now, make my family happy."

Bunn packed his duffel bag and nearly quit on Thursday, but changed his mind after a talk with Mr. Lafontan. "He told me I'm not really a quitter," Bunn said. "They chose me to be a squad leader, and I'm very good in my position."

Mr. Lafontan said, "Slowly but surely, Bunn's being fixed."

Mr. Coon, the teacher, has been surprised that some of the toughest dropouts have asked for extra tutoring.

Slowly, they seem to be taking to discipline. Asked if he enjoyed the program, Rasper Pugh replied, "It's bearable."

Some Ready for College

Mr. Lafontan said he has students reading on the fourth-grade level and others, like Malik Lyons, who is ready for college. "I look at Malik," he said. "To me it's a mystery why he dropped out of school."

Asked why by a reporter, Malik said he quit in the ninth grade just because he did not find school interesting. But later, during a class exercise, when they were supposed to make a list of surprises in their lives, Malik wrote: "Father in and out of jail. Mother had to raise six kids herself. When my mother was at work, my brother brought home troublemakers who hung around the house all day."

"This is the first time I really read anything in two years," Malik said.

Richie DeClet asked Mr. Coon if they could stand at attention when the dignitaries arrived, and the teacher approved.

"You're cool, sir," said Lauryn Marotto. Arthur ran back to the barracks to find his Guard pants and Adidas sneakers, and returned looking smart and chewing on his toothbrush.

When the President's representatives arrived — the highest-ranking among them was Deborah R. Lee, Assistant Secretary of Defense — Mr. Coon shouted, "Squad, ATTENTION!" and they leaped up.

"Uncover!" Rasper barked, and they smartly removed their red baseball caps.

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miscellaneous
big opening
big pants
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more

THE NEW YORK TIMES, WEDNESDAY, AUGUST 11, 1993

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THE NEW YORK TIMES, SATURDAY, AUGUST 28, 1993

THE PRESIDENT HAS SEEN

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Conspiracy Case Against Sheik Is Risky, Experts Say

By TAMAR LEWIN

The conspiracy charges brought against Sheik Omar Abdel Rahman this week were brought under an infrequently used sedition law that measures guilt by the plotting, and not the actual damage, a terrorist does.

Because the law does not require the Government to prove that the defendants committed any overt acts to further their conspiracy — or even that they knew of all the acts the others committed — some criminal defense experts say the law comes perilously close to punishing people for their beliefs or speech.

In particular, they say, the indictment links Mr. Abdel Rahman, an Egyptian cleric, to the terrorist actions only vaguely, as someone who consulted with the others, and mediated, rather than taking any direct actions.

The indictment filed this week against Mr. Abdel Rahman and 14 others is already drawing sharp criticism from some criminal defense experts who say the Government seems to be framing its case on the defendants' political views as much as their actions.

No Statements on Political Beliefs

The full extent of the Government's case is not known, of course. Much of it is based on conversations recorded by an informant who infiltrated the group.

Despite the defense lawyers' cavils, the indictment does not contain statements about the defendants' political or religious beliefs, but rather describes their discus-

sions of terrorist activities. And besides the conspiracy charges, the 20-count indictment includes charges of bombing, attempted murder and gun possession.

Prosecutors in the United States Attorney's office in Manhattan declined to discuss their legal strategy in the case. But based on the indictment, legal experts said it was inevitable that politics would be on trial.

"They'll probably use the speeches of the sheik, and his religious teachings, to say it was likely he was involved in a conspiracy to overthrow the Government," said Michael Deutsch, a New York defense lawyer. "I think it's wrong. It's also risky with a jury, since there's a tradition in this country that we don't prosecute because of a person's beliefs, and some jurors take that very seriously."

The indictment announced on Wednesday charges the 15 defendants with trying to "levy a war of urban terrorism against the United States" in a sweeping conspiracy that included the bombing of the World Trade Center, a plot to blow up New York City tunnels, the 1990 killing of Rabbi Meir Kahane, a Jewish militant, and other plans for bombings, murders and kidnappings.

The sedition law is a very broad one, making it a Federal crime to "conspire to overthrow, or put down, or destroy by force the Government of the United States."

Mr. Deutsch, who was involved in the last case in which the Federal Government won

sedition-conspiracy convictions, a 1985 case against four Puerto Rican nationalists, said he believed the Government had chosen to use sedition-conspiracy charges to send the message that this is a political case as much as a criminal one.

That message has backfired in two of the Government's recent sedition prosecutions. In 1988, an Arkansas jury acquitted 13 white supremacists charged with sedition conspiracy, and in 1989, three people charged with involvement in 15 bombings or bombing attempts in Massachusetts were cleared of sedition charges.

Elizabeth Fink, a Brooklyn defense lawyer who won an acquittal in the Massachusetts case, said the Government might have better results if it were to avoid the sedition-conspiracy approach used in the current indictment.

"The Government could have charged them with the individual bombings, and aiding and abetting,

and left out sedition conspiracy, and I think they would have had a better chance of winning," Ms. Fink said. "With sedition, it's about politics, so the defendants have a chance to bring in their history, and make people understand why they believe what they do. When people understand, it always becomes a lot less black and white."

She and others said that when prosecutors charge sedition, arguing that the defendants intended to overthrow the Government, juries sometimes balk, thinking it impossible that anyone would have believed a few bombs would destroy the Federal Government.

Laurence Tribe, a constitutional law professor at the Harvard Law School, said that because the sedition law is so broad, the judge must insure that the jury not convict defendants solely for their political beliefs.

"It will be important in this case that the jury not get a blank check, that they are not left to think that abstract religious sermonizing is sedition," he said.

In this country, sedition laws have

historically been used to prosecute those with unpopular political beliefs. The sedition-conspiracy law grew out of a post-Civil War statute, used against supporters of the Confederacy who would not accept the Federal Government. It was amended in 1918, during the Red Scare, to prosecute socialists, then abandoned for several decades.

But in the Reagan Administration, Federal prosecutors revived it to bring charges against radical leftists, white supremacists and Puerto Rican nationalists.

As a practical matter, most lawyers agreed, the conspiracy case against Mr. Abdel Rahman and his followers could just as easily have been brought under the Federal racketeering law, often used in organized-crime cases. That law allows prosecutors to bring the same kind of broad case, based on far-ranging evidence, without linking each defendant to a particular criminal act.

"The Justice Department may have chosen sedition to be candid, because they see this as an effort to overthrow the Government," Mr.

Tribe said. "But it also raises the stakes. By calling it sedition conspiracy, the prosecutors are telling the jury they're going to paint a broad, dramatic picture of what this cabal was up to. And whenever you do that, you run the risk that you won't be able to live up to it."

Reviving Old Charges

Some defense lawyers said they were troubled by the broad indictment, not so much because of the sedition charges, but because the Federal Government seemed to be piling accusations on an unpopular group — and, in particular, reviving charges against El Sayyid A. Nosair, and the other defendants for the 1990 killing of Rabbi Kahane, two years after Mr. Nosair was acquitted of that killing in state court.

"What I find offensive is that the Federal prosecutors apparently had no intention of going after the Kahane case again, but now, it's a Rodney King, they're dragging it up, and putting it together with the World Trade Center bombing, to go after a group everyone hates," said Gerald Lefcourt, a New York defense lawyer.

Continued on Page 24

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Whether Riffed or Reorganized, 1,561 Have No Jobs but Full Pay

By Bill McAllister
Washington Post Staff Writer

By the standards of many Americans, Robert Cope, Joelaine McKinney-Anderson, Leroy Warren, Carl Conover and George Bowlson should be happy. All have been without a job since last fall, yet all have continued to draw full salaries and been assured they won't be laid off.

But all five say they unfairly were stripped of their jobs in what has been described as the biggest governmental reorganization in decades: last year's massive restructuring of the U.S. Postal Service. The action eliminated their positions along with 30,000 management and support jobs, many in Washington.

No less a figure than Vice President Gore has praised Postmaster General Marvin T. Runyon for shrinking the Postal Service's management. But, as the case of the 1,561 postal workers still without jobs last week makes clear, perhaps only in a bureaucracy created in Washington could a worker lose a job and not a paycheck.

That quandary—what to do with federal workers whose jobs disappear—is now before the Clinton administration.

Personnel officials said that a task force headed by Gore was debating what to do with the government's complex reduction in force rules before a dispute over the Postal Service's reorganization arrived last week. Now, with less than a month to decide whether to appeal personnel rulings growing out of the Postal Service reorganization, the administration may have to move up its timetable for addressing the issue.

The question is before the Office of Personnel Management, which writes the government's personnel regulations. OPM Director James B. King has to decide whether to appeal rulings from the Merit Systems Protection Board that have held that the Postal Service reorganization was, in fact, a reduction in force.

Postal Service officials insist otherwise and have told the administration that, had they followed the government's rif rules, women and minorities would have suffered most. Equally important, postal officials contend, the rules will severely hamper any Clinton administration effort

to "reinvent government" by restructuring federal agencies.

OPM spokeswoman Janice Lachance declined to comment on the Postal Service's assertions, but said that King had begun to push for "a governmentwide strategy on downsizing."

Many federal agencies already have slashed their payrolls, the Pentagon, CIA and the National Aeronautics and Space Administration, among them. Lachance said that King is concerned that the current practice of letting each agency develop its own criteria for staging layoffs is "out of control" and "costly."

The Pentagon, CIA and NASA have followed similar reduction patterns, officials said, and have or are seeking specific legislation to allow early buyouts.

But nowhere can the problems of independent personnel actions be seen more clearly than at the semi-independent Postal Service, which, next to the Defense Department, is the government's largest civilian employer.

Faced with what he called a projected \$2 billion deficit, newly installed Postmaster General Runyon last year ordered the agency's management "flattened," eliminating thousands of jobs and prompting the retirement of 47,000 workers.

To the dismay of many postal workers, the agency did not use the government's complex rif rules when it restructured. Those rules developed over years and are complex regulations designed to protect the rights of senior workers and veterans, giving them priority and the right to "bump" workers who have had less experience and poorer job ratings.

For all the difficulties and delays that Postal Service officials and other personnel officers voice about implementing rif rules, the Pentagon seems to have solved the problem. There, Army officials developed a program called "Rif-runner" that can be run on a personal computer. Using personnel information usually on file at the agency, Rif-runner can determine quickly who should lose their jobs in a rif, a task that used to take weeks when done manually. All the services use the program, armed services' officials said.

(The program does not weigh minority status or sex, factors which—unlike seniority, job performance and veteran status—are included in the federal government's rif criteria).

Runyon has insisted that he conducted the Postal Service restructuring in "the most humane manner possible." Workers eligible for retirements were offered six months' salary as an early retirement bonus and all displaced workers who did not retire were assured of a job at their current salary, plus regular cost-of-living increases.

Nevertheless, many postal workers, like the five who found themselves still at a "job transition center" in Potomac last week, accuse the agency of treating them unfairly. "There is no fairness," said McKinney-Anderson, who has worked for the Postal Service in headquarters' jobs for 29 years and now is faced with being assigned late-night duties in Rockville as a carrier supervisor.

Warren, an official in the Montgomery County NAACP, denounced the reorganization for sharply reducing the number of black employees in headquarters jobs. A 22-year postal employee, Warren charged that the restructuring allowed supervisors who have not been sympathetic to blacks "to blackball all strong blacks."

Conover, a government relations officer with 24 years at the agency, said he was stunned that his service in the military apparently was ignored when the new jobs were awarded.

Bowlson, a training specialist, contended that his 34 years in the system qualified him for a promotion. Too many workers his age have been shunted aside in the reorganization, he said. "If Marvin Runyon can come to the Postal Service and be productive at age 68, then I can be productive at 59," Bowlson said.

If Runyon had merely used existing rif rules, the reorganization could have been settled and all workers placed without much dissent, Bowlson added. But McKinney-Anderson said tensions are likely to continue because of the way the reduction was conducted. "All things are possible because there were no rules," she said.

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THE PRESIDENT HAS SEEN 8/30

CAPITAL JOURNAL
By GERALD F. SEIB

Budget Package Fails to Resolve Deficit in Trust

AMID THEIR understandable feelings of satisfaction over winning a victory for their economic plan in Congress, President Clinton and his team should find one lingering problem particularly worrisome.

That problem is the president's credibility gap.



Plainly put, lots of people didn't believe what Mr. Clinton told them about the deficit-reduction plan. This amounts to a kind of deficit in public trust, which is an enormous problem for a president, and one that transcends any single issue.

The problem is only partly of Mr. Clinton's own making. The credibility gap also is a product of the breathtaking cynicism about all politicians. It once seemed impossible for public cynicism to surpass the levels reached in last year's campaign, but it actually seems to be growing.

Cynicism runs so deep that many people now seem to view politicians as a kind of reverse indicator of the truth: If a politician says it's black, it must be white. The problem is becoming corrosive and unhealthy. It may well turn out to be the heaviest burden Mr. Clinton carries through his presidency.

TO GET SOME IDEA of how serious this problem is, look at how unsuccessful Mr. Clinton was in convincing people of the most fundamental tenet of his economic plan: that its tax increases fall overwhelmingly on the wealthiest people. No matter what else one may think of the Democrats' deficit-reduction plan, it is indisputable that the overwhelming share of its taxes fall on upper-income people. That was true in the beginning, and it became far more true once the president's energy tax was killed.

Yet people simply don't believe it, and Mr. Clinton made only a dent in their opinions by stating his case over and over again. When The Wall Street Journal and NBC News conducted a poll about a week before Mr. Clinton went on national television to urge passage of his plan, people were asked whether the bigger share of taxes would be paid by upper-income or middle-class people. A huge 78% said the middle class.

A week later, immediately after Mr. Clinton gave a national address in which he mustered his best arguments and snappiest charts to refute that impression, Cable News Network and USA Today conducted a poll and asked the same question. This time, 68% of those surveyed still said the middle class would pay the most taxes.

THREE FACTORS appear responsible for this phenomenon, two of them passing, and one representing a more fundamental problem. The first is that the Clinton economic plan was the subject of intense partisan criticism, some of it misleading. That's par for the course in such debates (Democrats have used plenty of misleading rhetoric of their own), but in this case the attacks came not only from the expected Republican quarters but also from Ross Perot and his organization. "If you look at Bill Clinton, he's had to fight a two-front war," says Democratic pollster Peter Hart.

The second factor was the White House's poor job in sustaining its sales pitch for the Clinton program, a failing that created a fertile field for misperceptions to sprout. Mr. Clinton's own advisers now conclude that they did a terrific job of selling the president's economic blueprint for about two weeks after it was released in February — and then dropped the ball. By the time Mr. Clinton resumed trying to get his message across, many people already had heard and come to believe the worst.

The third and most troubling factor has been the reluctance of people to believe Mr. Clinton once he got his message through. Clearly, it stems in part from the heavy baggage Mr. Clinton accumulated on his journey to Washington. Credibility became an issue for him back in the presidential campaign, because of the well-trodden questions about his personal life and military draft record. Doubts were exacerbated early on, when he veered away from campaign pledges on middle-class tax cuts and Haitian refugees.

But those would be manageable problems if Mr. Clinton weren't operating in such a sour environment. Who can gauge how much cynicism toward all politicians was sown when President Bush broke his no-new-taxes pledge? And how much does that cynicism grow every time Mr. Perot appears on television and delivers the message, implicitly or explicitly, that nobody but he is telling the truth?

Mr. Clinton probably can't find any quick fix. Returning now to some of the more centrist themes he ran on — welfare reform is a good example — would help with some voters. Vice President Al Gore's coming proposals to "reinvent government" to make it work better could whittle down the cynicism a little too. But whatever the tactic, Mr. Clinton will need to refill the reservoir of credibility as he tries to sell his ambitious agenda of health and welfare reform and trade agreements.

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THE PRESIDENT HAS SEEN 8/30

THE WASHINGTON POST

... SATURDAY, AUGUST 28, 1993

China: Sino-U.S. Ties 'in Serious Jeopardy'

Beijing Says New Sanctions Will Force It to Halt Compliance With Missile Control Pact

By Lena H. Sun
Washington Post Foreign Service

BEIJING, Aug. 27—China today threatened to stop complying with an international arms control accord as retaliation for U.S. sanctions imposed for Beijing's reported sale of missile technology to Pakistan. The move threatened to further strain China's relations with the United States.

Vice Minister Liu Huaqiu lodged a "strong protest" with U.S. Ambassador J. Stapleton Roy today, calling the U.S. sanctions "a naked hegemonic act" that puts U.S.-China relations "in serious jeopardy," according to the official New China News Agency.

"The Chinese government and people express their utmost indignation at such a move on the part of the U.S. government which compromises China's sovereignty, dignity and interests and puts Sino-U.S. relations in serious jeopardy," Liu said.

If China, one of the world's major weapons exporters, follows through with its threat, it will be a major

other countries, it agreed to abide by the missile accord's guidelines.

When China announced its decision in February 1992 to comply with the guidelines, the Bush administration hailed the move as a major step for arms control cooperation. In return, the United States lifted some sanctions imposed on China in 1991.

On Wednesday, the United States announced it had evidence that China had shipped technology related to the M-11 missile to Pakistan. The weapon exceeds the 1,100-pound payload and 186-mile distance limits set by the missile control accord. The transfer of such technology not only would set back nonproliferation efforts but also could cause instability in South Asia, where both India and Pakistan are seeking to be nuclear powers.

As required by law, Washington barred the export of some high-technology items to China and Pakistan.

The Chinese have not denied that certain items were shipped to Pakistan. But Beijing has consistently maintained it has not breached the arms control guidelines. From Chi-

na's point of view, it is Washington that has broken its pledge.

However, many Western diplomats and analysts view today's announcement as a face-saving gesture designed to show Beijing's anger at what it considers American bullying on issues ranging from arms proliferation to human rights to Beijing's bid to host the 2000 Olympics.

"The Chinese have a vision of themselves as a responsible nation, and they also have a vision of themselves as a power that doesn't want to be pushed around," a Western diplomat said.

The Chinese realize that if they start selling ballistic missiles to countries such as Syria and Iran, they will be branded "a real renegade nation," said Michel Oksenberg, president of the East-West Center in Honolulu.

The accord in question is the Missile Technology Control Regime, an arrangement among 18 member countries restricting the export of missiles and related technology. China is not a member, but like Argentina, Israel and several

na's point of view, it is Washington that has broken its pledge.

"Now that the U.S. has resumed these sanctions, the Chinese government has been left with no alternatives but to reconsider its commitment" to the missile accord, the Chinese news agency quoted Liu as saying.

The shipment of missile-related technology to Pakistan, reportedly occurred in December 1992, 18 months after the Bush administration announced that it had E-16 fighter jets to its arch-rival.

The U.S. decision, reportedly motivated by election-year politics to save defense-related jobs, reversed a decade of U.S. policy toward China. Under a 1982 agreement, the United States promised to reduce and eventually phase out arms sales to Taiwan.

Some Western diplomats say the Chinese have told them that the sale of the F-16s so angered the Beijing government that it became a contributing factor in Beijing's decision to export missile-related equipment to Pakistan.

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Economy May Now Be Less Sensitive to Changes in Interest Rates

8/30

THE PRESIDENT HAS SEEN

ECONOMY, From H1

er interest rates than we used to, and the reasons are largely structural," observed Lawrence Chimerine, a senior adviser to the forecasters at DRI/McGraw-Hill Inc.

Lower rates, for example, are supposed to stimulate economic activity by putting more spending money in consumers' pockets as a result of lower monthly payments for such things as home mortgages, auto loans and unpaid credit card balances. But increasingly, what's gained by those borrowers is lost by millions of Americans who are savers—and who rely on interest from bonds and certificates of deposits.

Ambiguous Relationships

A recent study by A. Gary Shilling & Co., an economic research firm, found that by the end of 1992, American households for the first time took in more cash from interest income than they paid out in interest expenses. Obviously, households are affected differently: Lower rates help the struggling family with little savings and a big mortgage, while they tend to hurt retirees. But the study is a reminder that the relationship between lower rates and personal consumption is more ambiguous than is often portrayed.

Nor is it clear that even those who are able to cut back on interest charges are necessarily running out and spending it. The Washington-based Federal National Mortgage Association reported that 37 percent of the homeowners who refinanced their 30-year mortgages this year have opted to switch to 15-year mortgages—in effect plowing the rate windfall back into the mortgage by paying it off more quickly. While this effort at reducing debt benefits the economy over the long term, the immediate effect is to dampen the positive impact lower rates are supposed to have.

Lower rates also are supposed to spur businesses to build new facilities and buy new equipment. They not only reduce the cost of borrowing for these projects, but, just as important, they also reduce the potential return that firms could get if they simply invested their money in Treasury bills.

On the surface, business seems to have responded to the low-rate medicine. Capital spending by businesses has jumped 10 percent this year over last, even after inflation has been factored in.

But not all of this investment has translated into short-term economic growth in jobs and income. Overwhelmingly, businesses have been investing in computers and other machinery designed not to expand capacity, but to improve the efficiency of existing operations.

That has generated jobs and income for companies producing the equipment, but in companies purchasing the equipment, it has often reduced payrolls or allowed firms to add sales without adding employees. The result has been, if not a jobless recovery, a recovery remarkable for its lackluster job creation.

One Sector Stalls

The one sector of the economy traditionally most responsive to interest rate changes is real estate and construction—but no longer.

Real estate experts say it will be at least until the year 2000 before all those office buildings and shopping malls put up during the 1980s are finally filled with paying tenants and before commercial rents begin to rise. Until that day nears, it doesn't matter how low interest rates fall—the commercial real estate market will remain dormant.

And in the housing market, demographic tides swamp the flow of interest rates. From the mid-1970s through 1988, the giant baby boom generation was settling down and forming households at a furious rate, requiring 1.6 million new housing units each year. But these days, the economy will be needing only 1.3 million new units a year, according to DRI/McGraw-Hill—only 100,000 more than current production rates.

In addition, explained DRI economist David Wyss, overbuilding of apartment buildings and town house developments in the 1980s has resulted in a glut that continues to depress the price of condominiums in many markets. Urban condo owners who might be ready to trade up to a

new single-family home in the suburbs often find they can't sell at a price that allows for the trade-up.

"Don't look to residential construction to provide much more fuel for this recovery," said Wyss.

Even in areas where there is a market for new houses, experienced builders report they cannot get bank loans to finance land purchases and construction. This too is a legacy of the overbuilding of the 1980s, when many residential developers defaulted on their loans. The wariness of bankers to get back into construction lending is only reinforced by federal banking regulations that, in various ways, discourage it.

"We came out of the 1980s with the economy so much out of kilter that it is now much less sensitive to

... changes, especially Lawrence Meyer, a St. Louis forecaster whose firm bears his name. "Until those structural adjustments are completed, rates will have to fall much lower to generate the same amount of economic activity."

Consumer Resistance

If all these "structural" factors are not enough to undermine the "interest rate recovery," the generally pessimistic attitude of consumers also is creating strong head winds for the economy. Consumer confidence has faded with the post-election euphoria as people with jobs fear that they may lose them. The data confirm a general impression of a American consumers willing to replace a

broken washing machine or an aging auto, but wary enough about the future that they are unwilling to take on the big new financial commitments that usually fuel an economic recovery, no matter how low interest rates may have fallen.

In fact, researcher Joseph Kamen of Indiana University recently found that declining rates are regarded as an "omen of trouble" by most Americans he surveyed.

Good Omens, or Bad?

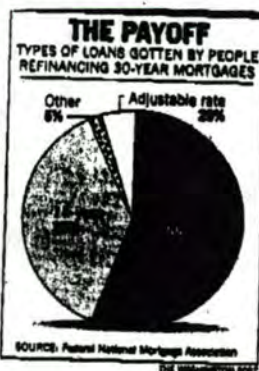
Some economists are now suggesting the unorthodox view that further reductions in interest rates—particularly when government rates—would on balance be a bad sign for the economy.

Both Meyer and Chimerine, for example, argue that most of the recent decline in rates cannot be explained by fiscal or monetary policies in Washington, but reflects weak demand for goods, services and credit by both consumers and businesses.

"It's not something to stand up and cheer about," said Chimerine, who argues the administration cannot rely on lower rates to shift the recovery into higher gear.

But Alan Blinder, a member of the president's Council of Economic Advisers, predicts a further decline in long-term interest rates will finally cure what ails the economy.

"It takes time for the medicine to work," he said. "If it's still this way in nine months, I'd say we had a real problem."



THE WASHINGTON POST

SUNDAY, AUGUST 29, 1993

THE PRESIDENT HAS SEEN

8/30

Rates Are Low, So Where's the Boom?

Explanations Abound, but Structural Shifts in Economy May Be to Blame

T/2

By Steven Pearlstein
Washington Post Staff Writer

Now that interest rates have dropped to their lowest point in nearly 25 years, whatever happened to that surge in the economy promised by the Federal Reserve, the Clinton administration and a legion of private economists?

"It's been a puzzle," concedes N. Gregory Mankiw, a Harvard University economist.

Explanations run the gamut, from the patronizing ("These things take time") to finger-pointing ("The European recession is dragging us down") to Mankiw's observation that, after adjusting for inflation, long-term interest rates aren't really all that low (they are still a full percentage point above their historical average).

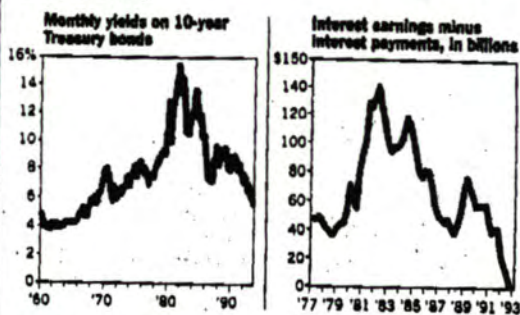
Confronted with the stubborn reality of economic growth rates stuck at 2 percent, administration officials now admit privately that they may have oversold the salutary effects of lower interest rates in lobbying for passage of their budget plan earlier this month.

And a number of economists are now saying that shifts in the underlying structure of the economy have made it less sensitive to interest rate changes.

"We're getting much less bang for the buck from low-
See ECONOMY, H1A, Col. 1

CAUSE AND EFFECT

With interest rates so low, people are paying out as much in interest as they're earning.



THE WASHINGTON POST
SUNDAY, AUGUST 29, 1993

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Middle Ground on Abortion

Shifting Into Terra Incognita

By ROBIN TONER
Special to The New York Times

THE PRESIDENT HAS BEEN

8/30

WASHINGTON, July 14 — Over the next few months, Congress and the White House will face one of the most complicated, unpredictable and perhaps politically perilous phases of the abortion struggle yet. Like it or not, the lawmakers will be forced to define a new political center on abortion.

Gone are the days when it was enough to simply support or oppose the legalization of abortion. Now, lawmakers have to decide whether being "pro-choice," a label many of them claim with pride, means supporting public financing of abortion for poor women, sharply curtailing the states' abilities to regulate abortion and including abortion services in a national health-care plan.

Lawmakers who consider themselves "pro-life" have to decide what can be realistically achieved without an abortion foe in the White House.

The issues of abortion accessibility

legality. The White House has handled them gingerly in recent weeks, and the wariness on Capitol Hill is palpable.

Representative Richard J. Durbin, Democrat of Illinois, is emblematic of the lawmakers caught in the middle. "I really believe there is a national consensus on this issue that is not represented by the views of either pro-life or pro-choice lobbyists," he said. "Folks are still struggling, but they probably come down with the position, 'Keep it legal, don't encourage it.'"

But Mr. Durbin, who describes his stance "as a middle position where I get battered from both sides," said he had yet to decide how abortion services should be treated in a national health plan. "It's a tough one," he said, "and at this point I just don't have the answer."

Groups on each side of the abortion issue are pushing hard, recognizing the crucial period now beginning as Congress returns from its Fourth of July

Political Memo

Middle Ground Shifting on Abortion

Continued From Page A1

recess. Supporters of abortion rights, with an agenda that seeks to undo many of the policies of the last 12 years, have already suffered an initial, embarrassing defeat when the House approved the Hyde Amendment, which would permit Federal financing of abortions for poor women only in cases of rape, incest or when the life of the pregnant woman was in danger.

Now, abortion-rights groups are battling to keep the proposed Freedom of Choice Act, the centerpiece of their legislative agenda, on track. That measure, intended to put the constitutional right to abortion into Federal law and prohibit most state restrictions on it, faces serious and mounting difficulties.

One of the latest signs of trouble was the announcement by Senator Carol Moseley Braun, Democrat of Illinois, that she was ending her support because the bill did not go far enough to protect the rights of poor women.

A further sign of splintering support came this week when Representative Maxine Waters, a California Democrat and staunch supporter of abortion rights, told reporters that Senator Braun's position was "courageous" and added that it would be difficult to move forward with the bill "without consolidated support" among abortion-rights leaders.

Anti-abortion forces, at the moment, are presenting more of a united front. Widely discounted after losses in the 1992 elections, they have retooled their strategy to concentrate on the lawmakers in the middle, and they seem rejuvenated by their victory in the first legislative round.

The National Right to Life Committee and its allies are portraying the Freedom of Choice Act as an extremist and profoundly anti-democratic measure that seeks to force a national policy of "abortion on demand" on all 50 states.

Time for Directness

Each of these issues is replete with nuances, amendments and exemptions that lawmakers have rarely been asked to confront so directly.

For example, where is the consensus on Federal financing of abortions for poor women? Is it, as passed by the House, in cases of rape, incest and

saving the life of the pregnant woman? What about to preserve the "health" of the pregnant woman, which anti-abortion forces assert amounts to abortion on demand? What about leaving the matter up to the states, and simply reimbursing those states that choose to pay for abortions under the Medicaid program for the poor?

Representative Charles E. Schumer, Democrat of Brooklyn, said, "While gradually things are moving in a pro-choice direction, there's still a crucial swing vote of people who are marginally pro-choice or pro-choice with qualifications — and that is the fulcrum."

Representative Jim Slattery, Democrat of Kansas, argues that President Clinton will move beyond that center if he includes abortion services in his national health package. "He'll spend a lot of time arguing about abortion instead of health care," Mr. Slattery said.

Politicians find new, subtler fault lines emerging on abortion rights.

As abortion-rights organizers have already discovered, the lawmakers in the middle are hard to count and hard to predict. "First of all, they hate to vote on the issue," said Representative Vic Fazio, the California Democrat who is a leader of abortion-rights camp. "And, second, they hate to talk about it."

The White House might have been expected to try to lead the way toward a new consensus. Throughout the Presidential campaign, Mr. Clinton talked of making abortion "safe, legal and rare," suggesting that he would try to articulate a reproductive health program that would both protect abortion rights and work to prevent unintended pregnancies.

But abortion-rights organizers say the White House has been less than vocal on the issue as the legislative struggle heats up. Mr. Clinton submitted a budget that would have dropped the current Hyde Amend-

ment, which allows Federal financing only when the life of the pregnant woman is in danger, but his Administration has yet to unveil the compromise language to replace it.

The Administration's stance prompted considerable grumbling among abortion-rights groups in the aftermath of their remarkably broad defeat on the Hyde Amendment.

Strategy Adjusted

"I would have liked to have seen them be a little more in control here on this," said Kate Michelman, president of the National Abortion Rights Action League. "I think they're trying to avoid all kinds of controversy that might distract them from economic policy or health-care reform as a whole. But in doing so, they may be losing some very vital battles along the way that will weaken them over the long term."

Defeat on the Hyde Amendment has prompted supporters of abortion rights to review more carefully the political status of the Freedom of Choice Act. The Democratic leadership had little choice over the timing of the Hyde vote; it came on a spending bill that must be passed by the end of the fiscal year on Sept. 30. But those leaders can decide when — and whether — to bring the Freedom of Choice Act to the floor of the House and Senate. This, in fact, is the next big strategic decision on the abortion issue.

Supporters of the bill are fighting on two fronts. On one side are abortion opponents; on the other are abortion-rights supporters who dislike the bill because it would let states deny public financing for abortions and require some form of parental or adult notification for minors.

The battle over taxpayer financing of abortions, in the meantime, will now move into the Senate; abortion opponents acknowledge that they face a tougher challenge there, but after their Hyde victory they enter in a stronger position than many had expected.

But the issue of financing abortions for the poor is considered only a preview of the struggle over health care. Mr. Clinton, who explicitly promised in last year's campaign that he would include abortion services in any national health-care plan, must now decide how to handle the issue.

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~~Singer~~

on the Warrent
agenda -

I want to discuss
whether there is another option
to Abortion, Defeat, or bring that
war pro abortion is pro choice
I have some ideas -

THE WASHINGTON POST

...A SATURDAY, AUGUST 28, 1993

THE PRESIDENT HAS SEEN 8/30

Labor Dept. Award to Motorola Irks Unions

By Frank Swoboda
Washington Post Staff Writer

Organized labor is miffed at the Clinton administration just when the White House needs labor's help the most to win congressional approval of the new North American Free Trade Agreement and health care reform.

Three days after Labor Day—one of the highest holy days on the union calendar—the Labor Department will give its prestigious Opportunity 2000 Award to Motorola Inc., a company that has successfully resisted unionization efforts for decades.

The award is given each year to a company the department believes best exemplifies an employer with the worker's best interest at heart. The company will be praised by Labor Secretary Robert B. Reich at a special Sept. 9 ceremony as a model of the high-performance workplace he hopes to see spread throughout the economy.

Motorola will be cited for its active efforts to promote women and minorities to top corporate jobs—the number of women vice presidents has increased from two to 16 in the last four years. The company also has spent more than \$100 million to train and upgrade the skills of its workers in the last five years, more than doubling productivity in the process.

But whatever else Motorola has done, it has not managed to shed its image within the labor movement as a major anti-union employer.

Last year's winner under the Bush administration was Westinghouse Electric Corp., a large unionized employer.

Giving the award to a nonunion company is bad enough, but scheduling the ceremony Labor Day week is a deliberate effort to poke a stick in labor's eye, in the view of some union officials.

"It's just really disappointing that the Labor Department would cite for

an award a company that has practiced anti-union policies for a number of years," said a spokesman for the AFL-CIO.

A spokeswoman for Motorola said the company did not have any policy against unions, it just didn't have any representing its employees.

Labor Department officials yesterday denied any intent to embarrass the unions. The scheduling of the award ceremony at the Labor Department just three days after Labor Day was "totally coincidental," according to a department official. "This was not deliberate," the official said.

But the timing of the ceremony reflects the shifting focus of the Labor Department away from the specific needs and concerns of trade unions, which now represent less than 15 percent of the nation's civilian work force.

Or as Reich repeatedly has put it, he wants to make the Labor Department the "Department of the American Work Force."

GS

was this an error?

BSC

8/30

Jeane Kirkpatrick ✓

Our First Great Post-Cold War Failure

It is nearly over in Bosnia-Herzegovina. If the owl of Minerva flies in the gathering dusk—as the German philosopher Georg Hegel wrote, meaning that we understand events most clearly as their end draws near—then now is the time to ask questions about this first great failure of the post-Cold War period, a failure of Europe and the European Community, of the United States, of NATO, and of the United Nations.

Here are my questions:

How did it happen that 150,000 Bosnians were murdered under the eyes of thousands of international observers? How did they maintain their composure as they watched the slow death of a democratic Bosnia?

Gen. Jean Cot, the new U.N. commander for Bosnia, spoke harshly of the "Pontius Pilate effect" of U.N. peace-keepers bound by U.N. rules of engagement to be neutral in the face of starvation and mass murder.

Why did the French, the British and other donors of peace-keepers acquiesce to rules of engagement that render those peace-keepers impotent, "like goats tethered to a stake in the ground," as Gen. Cot put it, unable to keep peace, to protect unarmed victims or prevent the spread of conflict?

Why did the French and British so ardently oppose lifting the arms embargo that denied Bosnians a capacity to defend themselves against arms and ammunition flowing from Serbia on a daily basis?

Why did French Defense Minister Francois Leotard oppose NATO air strikes even in Sarajevo's final agonies, saying, as if there were no urgency: "With regard to any eventual action on security zones, it should be preceded by a political consultation, first among Europeans, then with Americans, with the commander of the U.N. forces lightly involved?"

Was it just to deny NATO and the Americans a lead role? Is that so important to France? Why then did France not take a military initiative?

Why did the Clinton administration wait until it was nearly over before urging air strikes? I presume and hope it was because Clinton could not bear to contemplate the consequences of inaction as those consequences became wholly clear. I hope it was not a cynical move.

And why did Secretary General Boutros Boutros-Ghali steadfastly oppose the use of force in Bosnia after the Security Council had repeatedly authorized its use?

"Dear Warren," the U.N. secretary general writes U.S. Secretary of State Warren Christopher in a confidential letter, "I thought it might be helpful if I were to spell out the reasons for [my] misgivings . . ." about the U.S. plan for NATO air strikes. Close U.N. observers will not be surprised to learn that Boutros-Ghali's "misgivings" concerned the impact of the Clinton proposal on the secretary general's own powers rather than any concern for the Bosnians. His objection was to Christopher's assertion that the air strikes should take place "at a time and place of NATO's choosing."

He argues that "first use of our power in the theater should be initiated by the Secretary-General," that he alone has the right to initiate the use of force. His letter offers tendentious arguments to support his view that Security Council resolutions 770, 816 and 836 do not mean what they say.

Although Resolution 770 (passed a year ago this month) provides that "all necessary measures" can be taken "nationally or through regional agencies or arrangements" to deliver humanitarian assistance when needed in Bosnia-Herzegovina, Boutros-Ghali argues that 770 really means measures under the control of the secretary-general.

He pretends that Resolution 816, which authorizes states and regional groups to use force if necessary to enforce "no-fly zones," really means if the secretary general approves. He claims that Resolution 836, which

"How can Boutros-Ghali pretend that he alone has the authority to initiate the use of force in Bosnia?"

authorizes member-states, "acting nationally or through regional organizations or arrangements," to use air power to protect U.N. peacekeepers, really means if the secretary general approves.

How can Boutros-Ghali pretend that he alone has the authority to initiate the use of force in Bosnia, even after the Security Council has clearly stipulated otherwise? And why has he not used the power he claims for himself?

These are not questions about abstractions. Hundreds of thousands of Bosnians have suffered from lack of food, water and medicine in the year since the Security Council authorized force to deliver humanitarian assistance throughout Bosnia-Herzegovina. A million Bosnians have been rendered homeless. Despite this, Boutros-Ghali has not used the power he claims is his to initiate force. He has instead prevented its use.

The biggest question of all is why the secretary general has opposed such assistance to Bosnia.

In the first week of June, one of Boutros-Ghali's top deputies explained semi-confidentially to a group of high-level, mainly European, officials that in the secretary general's view the conflict in Bosnia should be permitted to "play itself out," at which time the "international community" should develop plans for its reconstruction.

Does he really imagine that governments which stood by during the slaughter of Bosnians will offer economic aid to Serbia and Croatia?

Why have the members of the Security Council acquiesced in this latest power grab of the secretary general?

Why does the Clinton administration propose a major new investment in U.N. peacekeeping at precisely the time its current leadership has demonstrated—in Somalia and Bosnia—nearly total inability to use the resources already available?

This is not the way to deliver on the U.N. Charter's promise to save mankind from the age-old scourge of war. What makes anybody think so?

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MONDAY, AUGUST 9, 1993 THE WASHINGTON POST

By ~~the~~
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time before they are "cleansed."

Thus, a nightmare of impending slaughter interrupts their dreams of peace. "My greatest desire is that the war ends and that I die a natural death and not be killed by a grenade," says Mr. Kolic, the 42-year-old refugee. But if partition leaves his village under Serb control and prevents him from returning home, such a life would hardly be worth living, he adds.

"The greatest mistake we could ever make is if Bosnia is divided along ethnic lines," he says while sitting on a park bench on the banks of the Una River. "People will always be trying to go back home. A just and honorable end to the war is if refugees can go back to their houses."

Three hundred yards from the front line, partially shielded by a rocky plateau, the Bihac brewery fills 60,000 bottles a day with a bitter, sudsy brew despite taking a total of 34 mortar and tank hits in the past several months. "Where there's a will,

there's a way," winks Adem Ibrahimasic, the Muslim manager of the brewery. "If we have peace, we have a chance to survive. If there is more war, we are finished."

And more war, he is sure, will come with ethnic partitioning. "The people in Geneva [site of the peace talks] believe they can make an ethnic division, but they are causing great and horrible tragedies," says Mr. Ibrahimasic, who displays mortar shells and shrapnel fragments in his office like other brewery managers would display beer mugs. "If the Serbs think they can still have a Greater Serbia, they will eventually get to us. Either they'll kill us or we'll kill them."

While most other offices across the former Yugoslavia have been cleansed of the once-obligatory portraits of Marshal Tito, the dictator's stern face still looks down from behind Mr. Ibrahimasic's desk, a reminder of failed dreams of a multiethnic Yugoslavia. "When Tito was in power, if you were a nationalist you were through," he says, drawing a finger across his throat. "He thought that would extinguish nationalism. But he didn't do it well enough. Perhaps if he had a third generation he might have succeeded. We'll

have to go through three generations to forget about this war."

The fact that a Muslim would run a brewery, and robustly consume its product, indicates that the Muslims of Bosnia are generally secular-minded and not the fundamentalist zealots the Serbs portray them to be. But the continued pressure of war is sharpening their Muslim identity.

"We will fight forever," vows Imam Hadzj Baltic, the leading Muslim cleric in the Bihac region who insists that the yearning of Muslim refugees to reclaim their homes and mosques won't be quashed by partition. "From the beginning, the plan of the Serbs has been to make us the Palestinians of Europe. In the same way that the Palestinians have been fighting for their homeland, so will we."

The imam fixes a foreign visitor with a stare and says darkly, "I hope the world recognizes the anarchy that is being created" by the war.

Such anarchy, says Ejub Topic, an electrical engineer who heads the Bihac government, would make enforcement of any peace plan perilous at best. Turning the Muslim areas into U.N. protectorates, he says, "would be like giving transfusions to a dead man. The international commu-

nity would pay a high price" in the lives of peacekeepers.

At the moment, Bihac's 150 miles of border are patrolled by a 1,500 strong battalion of French soldiers, and another U.N. battalion is supposed to be on its way. But they haven't made living conditions any safer. "We must rely on our own defense," says Mr. Topic, whose desk sits behind a pile of sandbags and a cloth screen to protect him from shrapnel and flying glass.

Bihac has mainly survived its 14 months of siege by cutting deals with Croatian Serbs to smuggle in black-market goods. A carton of Marlboro cigarettes can cost \$60 dollars, a gallon of gasoline \$40. Barter trade has been standard practice since supplies of the Bosnian dinar ran out months ago; soldiers and government employees are paid in either foreign currency (the region has hoarded its prewar reserves) or in bags of grain. "Soon we will be back in the Middle Ages where there was no money," Mr. Topic despairs.

Local farmers, desperate for fertilizer and fuel, produce one-quarter of the region's food needs; the rest comes from international humanitarian organizations. Only government services, the hospital

and the brewery have electricity, and then only for several hours a day. Horse-drawn wagons shuttle between the forests and the villages delivering wood for cooking and heating.

"We are destroying our forests," moans Mr. Topic, "but what can we do? That is war."

The Fifth Corps has 25,000 soldiers, and barely that many guns. Up on the Srbljani plateau, howitzer shells captured from the Serbs at the beginning of the war are stacked in a neglected pile; the Muslims don't have any howitzers from which to shoot them.

"We have to wait until the Serbs come within rifle range, 200 yards, before we can shoot at them, while they can hit us from three miles away," grumbles Mr. Prosic, the Muslim commander. "We've been doing this for a year now. I don't know how much longer I can hold out here."

He dashes from one bombed-out house to another, scurrying to stay out of Serb sniper sights. Salvation, he thought, was on its way in April when Washington first promoted air strikes. Now, puffing to catch his breath, he looks skyward and again waits for deliverance from Western planes. "America," he says hopefully, "won't break its promise twice."

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Devil's Choice

Bosnian Muslims Pray For Western Bombs, But Not Western Peace

They Believe Partition Plan Will End in Slaughter, Say Serbs Must Retreat

The Dilemma for Diplomats

By ROGER THUROW

Staff Reporter of THE WALL STREET JOURNAL

SRBLJANI, Bosnia-Herzegovina — The Muslim commander scrambles to the attic of a burned-out house and peeks through a mortar hole in the tiled roof. He looks to the sky, the only place where he doesn't see Serbian guns, and searches for salvation.

"These American plans to attack the Serbs by air are excellent. Excellent!" says Efrem Prosic. "But they must not stop at Sarajevo. They must also come here."

Srbijani, a ghost town of charred buildings, sits on a plateau overlooking the front line of a war that stretches 360 degrees around the region of northern Bosnia known as Bihac (pronounced bee-hotch). Some 300,000 people, 90% of them Muslims, are trapped in this hilly enclave, 150 miles northwest of the besieged Bosnian capital of Sarajevo. Cruelly and ludicrously, the United Nations has designated Bihac as one of six Muslim "safe havens." But every night when the summer heat cools, the Serbian gunners, dug in only 400 yards away, open fire with an array of tanks, howitzers and grenades.

The Looming Winter

Rarely filmed by the world's television cameras and scarcely mentioned by international diplomats, the siege of Bihac illustrates the breadth of the Bosnian conflict and the depth of the dilemma for U.S. and European policy makers. Meanwhile, the second winter of this 16-month war looms, threatening an apocalyptic escalation of the human suffering.

"Everyone thinks of America as the defender of the world, the poor, the sick, the children," says Franjo Kolic, who used to work in a textile factory until Serbs overran his village and he fled to Bihac. "America won't be America if it doesn't do anything to stop this."

But the view from Bihac, staring down the barrels of Serbian guns, is that limited air strikes around Sarajevo with the purpose of driving the Serbs to peace talks won't do much to alter Bihac's fate. For at the negotiating table, the residents of Bihac, and most Bosnian Muslims, also suffer. U.N. and European Community mediators currently are pressing the warring sides to accept an ethnic partitioning of Bosnia, which legitimizes "ethnic cleansing" and pushes the Muslims into isolated pockets like Bihac, where they would remain at the mercy of nationalist

passions.

Instead, when the people here look heavenward, they wish for more comprehensive air strikes, followed by a lifting of



the international arms embargo against the Muslims, to roll back Serb gains and to preserve a unified Bosnia — the country that the U.N. recognized more than a year ago. They believe they will be saved only when the Serbs come to the negotiating table as the vanquished rather than the victors.

"It is very simple," says Ramiz Dreko- vic, the blunt commander of the Fifth Corps of the Bosnian army, whose 25,000 soldiers are the sole defenders of Bihac. "For Bosnia, there can be no peace without a military solution."

So far, most Western leaders have refused to even consider such sweeping military intervention, fearing that the U.S. and Europe will become bogged down in the oft-cited Balkan "quagmire." Even the current strategy of air strikes, approved Monday by officials of the North Atlantic Treaty Organization, doesn't go that far. But, ironically, a peace based on partition may bring the West the very quagmire it has so studiously avoided.

Cheat and Retreat

A partitioned peace — with the Serbs getting the lion's share of Bosnia — will likely be no peace at all. The U.N. has already pledged tens of thousands of troops, including American soldiers, to enforce a negotiated settlement. They will be deployed in the rugged mountains and forested valleys of Bosnia to stand precariously between the Serbs, Muslims and Croats. Just as in neighboring Croatia, where U.N. troops have been unable to prevent Serbs and Croats from reigniting their war, the presence of peacekeepers will do little to smother Bosnia's raging ethnic hatreds.

The devil's choice for the West — bomb or negotiate — is complicated by the Serbs' masterful game of cheat-and-retreat that preys on the democratic squabbling of the U.N. and NATO. The Clinton administra-

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THE PRESIDENT HAS SEEN

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Continued From First Page

tion drew up plans for air strikes and a lifting of the arms embargo in May following a bloody Serb offensive in eastern Bosnia. But after consolidating their gains, the Serbs showed up at the negotiating table and signed a U.N. peace accord in Athens. Western European leaders, afraid to anger the Serbs, rejected Washington's action plan. Weeks later, the Serbs dumped the peace accord and resumed the military offensive.

Last week, Washington again said it was ready to order air strikes against Serb positions to break the siege of Sarajevo. The Serbs proceeded simultaneously to sign a cease-fire and to launch an all-out push to capture the Muslims' last two mountain positions overlooking the Bosnian capital. Once they succeeded, the Serbs promised to hand over control of the mountains to the U.N. A chorus of international diplomats immediately urged the U.S. to back off air strikes in favor of negotiations, and the Serbs, once again, started backpedaling from their promise to withdraw.

Yesterday, after days of tortuous negotiations, the Serbs completed a withdrawal from one of the mountains, but said they wouldn't leave a second, more strategically important peak until the U.N. mustered enough troops to ensure that the Muslims don't retake the position. Meanwhile, as NATO fine-tuned plans for air strikes, diplomats in Geneva tried to revive the stalled peace talks.

While the residents of Bihac are achingly tired of war, they fear that ethnic partitioning would be their death sentence. Nearly all the maps currently on the negotiating table have Bihac connected to other Muslim areas of Bosnia by U.N.-guarded road corridors that will be easy targets for ambush. If so, Bihac would forever be hostage to the encompassing Serbs — Bosnian Serbs squeezing in from the south and east, Croatian Serbs (occupying parts of Croatia) pinching in from the north and west. If any peace leaves open the possibility of a Greater Serbia, or the unification of all Serbian people and territories in the former Yugoslavia, Bihac residents say it would be only a matter of

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Richard Riordan, New Democrat of the GOP ✓

THE WALL STREET JOURNAL THURSDAY, JUNE 17, 1993

LOS ANGELES — Slightly a year after riots scorched this city, a second rebellion has shaken Los Angeles. In electing a nominal Republican, Richard Riordan, the vast majority of middle-class Angelenos—including nearly 40% of all Democrats—have staged a bloodless revolt against the urban liberalism common in most cities and epitomized by Mr. Riordan's opponent, City Councilman Michael Woo.

But contrary to the suggestions in a Wall Street Journal editorial last Thursday, the Woo swoon in Los Angeles did not reveal the inability of New Democrats—whom the Journal has increasingly pictured as a group of hapless political victims—to "get" this new reality. In fact, most New Democrats here were completely turned off by the Woo campaign. The bulk of them, including key Demo-

lay in a widespread and justified skepticism about Mr. Woo's capacity to handle the job. So rather than a proof of the ineffectiveness of New Democrat positions, the election results actually reveal the critical importance of moving the party away from the leftism epitomized by Mr. Woo.

Even in the primary, candidates adopting more classic New Democrat positions—such as Councilman Joel Wachs, Democratic Assemblyman Richard Katz and former Deputy Mayor Linda Griego—received nearly one-third of the vote, more than Mr. Woo and equal to the total supporting Mr. Riordan. With the New Democrat vote split in the primary, Mr. Woo benefited from being the only well-known liberal in the race and the recipient of the massive financial backing of Chinese entrepreneurs, most of whom are either moderate Democrats or Republicans. A non-Asian running with Mr. Woo's left-wing orientation would have been crushed in the Asian community.

As Morley Winograd, co-chairman of the Los Angeles Democratic Leadership Council, notes, in the general election Mr. Riordan's positions—on school reform, police issues, enterprise economics and "reinventing government"—reflected New Democratic ideology far more than did Mr. Woo's. Using his Republican base to solidify his support in the primary, Mr. Riordan consciously used this platform to develop—in the best California progressive tradition—a nonpartisan, fusion coalition that extended to independents and moderate liberals as well as conservatives.

During the campaign, for example, Mr. Riordan stressed not the Reaganite antigovernment mantra, but the New Democrat message that government could be an important partner in economic development, if it could be made more efficient. Similarly, he promised to bring diversity to the government, including not only the

long-ignored Valley middle class but the underrepresented Latino community. And he eschewed the vigorous immigrant-bashing that sadly has become a staple of GOP rhetoric in Southern California.

For the Democrats, the important issue will be to read the results of this election correctly. Already liberals are clucking about Mr. Riordan's victory being little more than a reactionary expression of post-riot fears among rich white people; one solution proposed by some of them would be to broaden the franchise by expanding the potential electorate to non-citizens, among the more self-delusional and self-defeating ideas now being cooked up in the steaming kitchens of the left.

What the left seems unwilling to concede is that Mr. Riordan appealed mas-

Most New Democrats I know understand the lesson of the Los Angeles mayoral election only too well.

sively to what have long been core Democratic constituencies—including 43% of Latinos, half the Jews and union members, and a majority of people earning between \$20,000 and \$60,000 annually. Mr. Riordan even won some middle-income Westside Jewish precincts, according to Councilman Zev Yaroslavsky, that had not voted Republican since before the Depression.

The real lessons, then, of Los Angeles lie not in the irrelevancy of the New Democratic philosophy but in the importance of taking the party away from those who practice what Mr. Clinton himself once called the "brain-dead politics" of the traditional party establishment. The problem with Mike Woo was that he chose to take the wrong side on the issues most crucial to middle-class Angelenos.

On schools, for example, Mr. Woo avoided such New Democrat positions as public school choice and the popular notion of breaking up the huge, dysfunctional Los Angeles school district. Instead, he reflexively lined up with the education bureaucracy and the unions against middle- and working-class families.

Similarly, on economic development, Mr. Woo talked the talk of "reinventing government" but failed to convince much of anyone that he would walk the walk as mayor. Indeed, Mr. Woo, endorsed by the public employee unions, found reasons to excuse himself from the Council Chamber whenever real reform of the stultifying regulatory bureaucracy came up for a vote. Without challenging these ossified structures, most Angelenos realize, business will continue treating our city as an economic Chernobyl.

Last, on the racially charged issue of crime, Mr. Woo simply had no credibility. Although he gained accolades for being the first on the council to publicly urge the departure of the divisive Darryl Gates, he sanctioned policies before the riots that saw the gradual erosion of the police force itself. His coddling of those who condoned the rioting—he even called it an "uprising"—properly disgusted many.

Mr. Woo's devotion to dysfunctional ideas ultimately turned off not only Republicans and conservatives but nearly two-thirds of the Angelenos who just eight months ago had backed Bill Clinton. Most New Democrats I know understand this only too well. For them, the lessons of Los Angeles have just confirmed their belief that only a new kind of progressive politics, transcending the dogmas of both the left and right, can bring our cities back from the twilight of decline.

Mr. Kotkin is a fellow with the Center for the New West and business trend analyst for Fox Television in Los Angeles.

Counterpoint

By Joel Kotkin

cratic Leadership Council figures, such as Rep. Howard Berman, abandoned Mr. Woo because he was a representative of leftist ideologies incompatible with their own.

Many other nontraditional Democrats totally broke ranks and backed Mr. Riordan. These include the new mayor's campaign chairman, William Wardlaw, who also served as Bill Clinton's California chairman last spring and remains an active Democrat. Similarly, Mr. Riordan's most influential black supporter, former mayoral aspirant Stan Sanders, is now widely rumored to be gearing up for a statewide race—as a Democrat.

Indeed, according to his own pollster, Arnold Steinberg, Mr. Riordan won despite deep-seated voter concern over his Republican and conservative credentials. Mr. Riordan's greatest asset on election day

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Goal: Jobs, Growth

Strategy: cut def, keep Inflation down, Tax in future

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Dianne Feinstein

Death Over the Counter✓

Over the counter. That's how Gian Luigi Ferri got the TEC-DC9 that he used to kill eight people, and seriously wound six others, at 101 California Street before killing himself in the stairwell of a major San Francisco office building.

A California resident for less than a year, Ferri did what thousands of people in my state do: cross state lines to buy their weapon of choice. A former Nevada resident, Ferri used a still-valid driver's license to buy one Uzi-like gun in Las Vegas, waited the requisite three days and returned to pick it up. Two weeks later, he purchased an identical weapon at another Las Vegas gun shop. Because Ferri had recently registered a weapon, he was able legally to take possession of the second TEC-DC9 immediately. (We don't yet know where Ferri acquired the 12 clips with more than 500 rounds of 9-mm ammunition that he had with him when he opened fire.)

Only after Ferri picked up his first gun was the registration card on which he'd falsely reported his address sent to local law enforcement authorities. Had they used a "reverse" phone directory to check his Nevada residency, the police would have found that Ferri lied about his current address to acquire his guns—a federal offense. But because Ferri had no prior felony convictions and wasn't wanted for other crimes, he came through the system cleanly.



BY CRAIG HERNDON — THE WASHINGTON POST

As a result, eight people's lives were snuffed out and scores of other lives were shattered.

Ironically, Ferri could have bought the gun he was after in California. Although a practically identical gun, the TEC-9, had been banned by the California state legislature with a number of other assault weapons in 1989, the copy-cat model that Ferri sought had not yet been added to the list of prohibited weapons by the state's attorney general. A national ban on semiautomatic assault weapons (based in part on their defining characteristics), however, would have made Ferri's mistaken foray into Nevada—undertaken deliberately to circumvent California's assault weapons ban—fruitless.

By depriving Ferri (and a series of demented killers before him) of easy access to weapons of war, a federal ban could have saved lives.

When imported assault rifles were banned by the Bush administration in 1989, the number of such weapons traced to crimes by the Bureau of Alcohol, Tobacco and Firearms declined by 40 percent while the number of crimes traced to domestic assault weapons increased. A ban on the sale and possession of domestic assault weapons won't stop all assault weapon crime, but it will make these killing machines less accessible to criminals and maniacs. If political courage prevails in Washington, a national assault weapons ban will help prevent the kind of carnage that Ferri wreaked in San Francisco from occurring anywhere again.

Ferri's assault weapon of choice—the Miami-made Intratec TEC-DC9—is typical of its ilk. It's relatively cheap, easily concealed, holds 30- or 50-bullet magazines and can fire as fast as a demented killer or drug dealer can squeeze the trigger. Most sickening of all, Ferri's guns had a special spring-loaded "hellfire switch" (legal even in California) that allowed them to be fired especially fast.

What hunter, what home guardian, what enthusiast needs a machine capable of cutting people in half, of killing dozens in seconds?

Is it too much to ask that restrictions be imposed on the sale of a narrow class of deadly weapons. Must weapons of war, or their callously marketed copies, have a direct and legal path to our streets?

In a March 1993 CNN-USA Today-Gallup poll, 66 percent of the more than 1,000 Americans scientifically surveyed said that they would favor "a law banning the manufacture, sale and possession of semiautomatic assault guns, such as the AK-47." Only 30 percent said they'd oppose such a law, and 4 percent had no opinion. Even if the poll's 3 percent margin of error is credited entirely to the opposition, the fact remains that Americans favor a ban on assault weapons 2 to 1.

Sen. Howard Metzenbaum is the author of S.653, which would ban the sale, transfer and possession of 20 different kinds of semiautomatic assault weapons (as well as their copies), and vest in the secretary of the Treasury the power and responsibility to keep that list current. The bill also would ban the large-capacity ammunition magazines that make assault weapons so lethal. I'm proud to be an original cosponsor of this essential legislation. Let's vote.

The writer, a Democratic senator from California, is a member of the Judiciary Committee.

THE PRESIDENT HAS SEEN

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8/30

Blacks Describe How Bias Hurt Their Careers at NIH

By Veronica T. Jennings
Washington Post Staff Writer

AT

Bent on success at the outset of her career 30 years ago, Sylvia Stewart put her job at the National Institutes of Health in Bethesda ahead of her husband and children. Today, age 54 and stuck in the same job for 24 years, she believes she lost the biggest gamble of her life.

Stewart, a computer systems analyst at NIH's National Library of Medicine, says she believes her career and those of many

black co-workers have been stymied by a scientific institution dominated by white males who systematically have denied career opportunities to minorities and women.

Two of Stewart's supervisors say her race and sex played no role in the decisions about her career, but other NIH officials say there have been cases of discrimination at the nation's premier facility for medical research.

"What usually happens to black professionals at NIH is that they are promoted one or two times. Then when they get to

the management level, that's where the trouble starts," Stewart said.

Black employees, the largest minority group at NIH, make up 21.4 percent of the permanent work force.

In the last year, hundreds of African American NIH employees have filed discrimination complaints, and the furor reached a peak this spring, prompting a congressional hearing and the creation of a special NIH task force on unfair employment practices. The task force will hold its first open meeting today on examples of

retaliation against staffers who filed discrimination complaints.

According to the NIH chapter of Blacks in Government, a national organization, African American employees are concentrated disproportionately in the lowest-paying jobs, even after a federal study in 1986 that sharply criticized the slow movement of blacks into top-level management.

NIH officials have pledged to eliminate discrimination. "If there is race discrimination at NIH, and it is shown to be true, we

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do anything on this? B

8/30

House Gives President Half a Loaf on Funding Initiatives

By Eric Pianin
Washington Post Staff Writer

House appropriators have agreed to little more than half of what President Clinton had sought in increased spending next year for special initiatives to revamp the economy, strengthen families and expand job opportunities.

The spending initiatives, once at the heart of Clinton's "Vision of Change for America," have been downgraded by the administration in the face of limited resources, a worse-than-expected deficit picture and congressional resistance to cutting other longstanding programs to make room for the president's proposals.

Rep. John Edward Porter (Ill.), a senior Republican on the House Appropriations Committee, contended that Clinton has "fared fairly poorly" in promoting his proposals within the Democratic-controlled House. But Office of Management and Budget Director Leon E. Panetta said yesterday that the administration did relatively well "under some very difficult circumstances."

"We have at least defined some clear initiatives for the president that do set some very different directions for us," Panetta said in an interview.

In February, Clinton proposed

about \$168.6 billion of new discretionary spending authority over five years to complement his strategy for deficit reduction, short-term economic stimulus and tax incentives to encourage private investment.

Administration officials said the new spending was essential to filling a public "investment deficit" and was aimed primarily at bolstering government programs to rebuild highways and bridges; expand educational, job and family health care opportunities; and accelerate the development and use of science and new technology.

But of the \$16.7 billion of new spending authority that Clinton sought for the fiscal year starting Oct. 1, the House Appropriations Committee and the full House in the past week have approved only \$8.8 billion—or 53 percent—of the requests, according to OMB and congressional figures.

Among the administration's victories: increased funding for Head Start and the women and infants feeding program; increased spending for highways and mass transit; more money for a home ownership program and clean water construction projects; and additional money for technological research.

But there were many setbacks, including the rejection of a funding request for a high-speed magnetic levitation train system that has caught Clinton's fancy.

CLINTON SPENDING SCORECARD

How the House trimmed President Clinton's \$16.7 billion "investment spending" proposals, unveiled Feb. 17:

IN BILLIONS, ROUNDED, RANKED BY PERCENTAGE APPROVED

Major categories	Amount requested	Amount approved	Percentage approved by House
Transportation	\$0.9	\$0.7	79%
Veterans Affairs, HUD, Environment	5.3	4.1	78
Agriculture	1.0	0.6	60
Interior	0.6	0.3	56
Commerce, Justice and State	1.0	0.4	44
Labor, Health and Human Services, Education	6.8	2.6	38
OVERALL*	\$16.7	\$8.8	53%

*Totals more than sum of major categories because of additional categories not shown.

SOURCES: Office of Management and Budget and congressional sources

THE WASHINGTON POST

The bulk of Clinton's spending requests fell within the jurisdiction of the Appropriations subcommittee on labor, health and human services and education, and that subcommittee had the toughest time meeting the requests—basically because there are so many social problems vying for funding.

The panel made room for only \$2.6 billion of the \$6.8 billion in additional spending sought by the administration. Yesterday, the House voted 305 to 124 to approve the overall spending bill and ratify the subcommittee's decisions to include only 38 percent of the ad-

ministration's new spending requests.

For example, the administration received 42 percent of the \$1.39 billion it sought for dislocated workers, less than a third of the \$163.2 million it requested for the Job Corps, less than half the \$58.5 million sought for community health centers, a third of the \$326.5 million requested for immunizations, and about 20 percent of the \$660 million for education reform.

The subcommittee, headed by Appropriations Committee Chairman William H. Natcher (D-Ky.),

differed with Clinton's spending priorities on a number of sensitive issues, including the president's attempt to free up funds for some of his initiatives by slashing the National Institutes of Health (NIH) budget below this year's level. In the end, the subcommittee increased NIH's overall spending.

A House Democratic aide noted that while many of the president's initiatives were given only partial funding, in some cases those proposals overlapped with committee members' plans for increasing spending in particular areas, such as the Head Start program for disadvantaged youngsters.

Funds for Clinton's spending initiatives are salted throughout many of the 13 appropriations bills that either have been approved by the House during the past two weeks or await action early next month.

The veterans affairs-housing and urban development appropriations bill, for example, contains 78 percent of the requested funds, while the transportation spending bill contains 79 percent of the administration's requests.

The Senate has yet to begin action on its versions of the spending bills, but Panetta said yesterday that he expects a similar result, based on preliminary conversations with committee leaders in that chamber.

Senate Majority Leader George J. Mitchell (D-Maine) said yester-

day that Clinton's spending concept is economically sound and represents "the kind of rational distinctions that good policy should make."

"Now, will he be able to do all he wants? No," Mitchell said. "Will we be able to afford all these things? No. But I think the direction is right, I think the emphasis is right, and to the extent that we can, consistent with restraints of the budget, I think that's the proper area for emphasis."

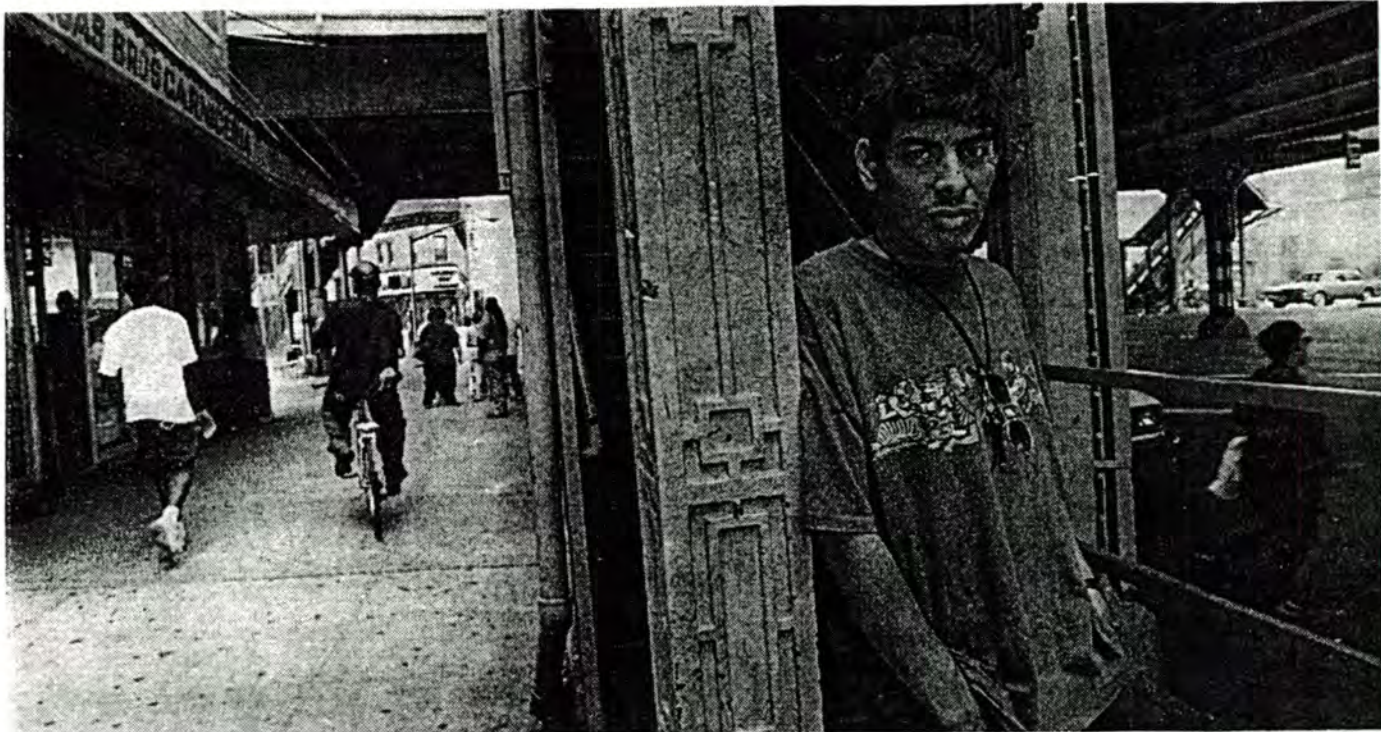
Clinton's spending initiatives ran into trouble from the start. The president included the proposals in his 1994 budget submission to Congress, but did not explain how they would be paid for. The budget proposal exceeded the money available to the appropriations committees by about \$7 billion, and some senior appropriators complained that Clinton had left them in the lurch.

But Panetta later smoothed things out by providing the appropriators with a list that detailed the administration's top priorities.

At a recent news conference, Clinton acknowledged, "We had to cut back all spending in the first two years of this five-year budget period to deal with the fact that the deficit was higher than we thought it would be." But he added that "over the long run we do have to increase investment. . . . I expect a big portion of the investment program to pass, and I'll be surprised if it doesn't."

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8/30



Jim Estrin/The New York Times

"I've never had to think about whether I wanted to leave the South Bronx because I've never had the opportunity to go anywhere else," said Abraham Rodriguez Jr., who stood by the subway stop mentioned in his novel. The rights to the book have been purchased by Columbia Pictures.

Chronicler of Bleak Truths in South Bronx

Novelist Finds His Muse Close to Home and Perhaps, Ultimately, His Escape

By IAN FISHER

The street was filthy and slatted with the shadows of elevated train tracks. In this dark corridor of the South Bronx, even Abraham Rodriguez Jr. was not entirely at ease as he pointed out a forgotten storefront, the model for a crack house in his novel, "Spidertown."

Mr. Rodriguez, 32 years old, grew up a few blocks to the south. And though he is no street kid — he wears groovy round sunglasses and downtown shaggy hair — he knows the world embodied on this bleak section of Westchester Avenue: the dealers, their girlfriends, the backbreaking crack bosses, 16-year-old drug runners like the hero of his book.

This world, he said, is "a ripoff," where young Puerto Ricans can feel as empty and abandoned as the crumbling building he stood before. Their violence, he said, carries a sad logic.

"People are almost taught to be this way," he said, as a train squealed from above. "You are almost indoctrinated. When you look around you, you will see that this place is a closed door. There is nothing out there."

The Story of a Runner

But he found something: material for his first novel, published in June by Hyperion, a Walt Disney company, with an 18,000-copy first printing, large for a new author. The story of a runner named Miguel who is trying to break free from his posse, the novel was recently purchased by Columbia Pictures for \$350,000.

Already Mr. Rodriguez's work is being compared to "Down These Mean Streets," the 1967 novel by Piri Thomas that documented a similarly gritty Puerto Rican ghetto experience and the most prominent of a handful of books about Hispanic inner-city life. And like Mr. Thomas, Mr. Rodriguez is receiving both praise and criticism from Puerto Rican authors and advocates for his work. "His real strength is that is he can document with words what he has seen around him," said Ed Vega, the New York writer. But Mr. Vega, 57, who was friends with Mr. Rodriguez until a falling out earlier this year, said he hopes the younger writer can "go beyond the ghetto experience."

"It is incumbent on an artist to point out not only the horrible aspects of life but to be true to the reality," he said. "The thing that draws attention is the harsher aspects of Puerto Rican life, when the reality is that many people escape the South Bronx, escape the ghetto."

Mr. Rodriguez, who speaks softly for a man who writes such urgent, hammering dialogue, hates the criticism. But he admits a ring of truth, especially now when hip-hop culture and other things of the inner city have so much commercial appeal.

"A lot of my stuff has not been published," he said. "I want to show the whole Bronx, not just the crack

and the money and attention have changed his life, though he still lives with his parents in a small apartment at 149th Street and Prospect Avenue, in the heart of the South Bronx. Recently he has begun to spend time with his girlfriend in Seattle. And among the new possibilities is a permanent move from the Bronx, a place he seems to love and hate in equally passionate parts.

"I've never had to think about whether I wanted to leave the South Bronx because I've never had the opportunity to go anywhere else," he said as he drove the streets around his home, where his novel is set. "I've never wanted to live in the Bronx. I don't even like it now."

But only a few minutes before, he had mused, "It's weird. I really want to stay here. I don't know why."

Sound of the Typewriter

A general ambivalence has always hounded him, as a rebellious teenager who refused to salute the American flag but who also devoured rock 'n' roll, considered by friends to be "honky music." He dropped out of Benjamin Franklin High School in his freshman year, yet stole library books and began writing as an 11-year-old inspired by his father, a hospital dietitian who tacked out romantic Spanish poetry on a rented typewriter.

"I just liked the sound of the machine," said Mr. Rodriguez, who earned his General Education Development diploma and attended four years of a six-year program at City College. "It's got nothing to do with literature."

At City College, Mr. Rodriguez won two awards for writing short stories, seven of which were collected last year in his first book, "The Boy With-

out a Flag: Tales of the South Bronx" (Milkweed Editions). He wrote about a boy, like himself, who would not salute the flag, a subway motorman and a crack dealer named Spider. It is the same Spider in Spidertown, and the character is both protector and destroyer of the hero, Miguel, who is sick of "the life" and wants to settle down with his girlfriend, Cristalena.

Mr. Rodriguez learned about the life by hanging out for eight months — partly for the purpose of writing the book — with a posse around his neighborhood, headed up by a 28-year-old former school friend. He said the posse, of about 20 young men,

A tale of breaking free from a posse yields a movie deal as well.

sold crack and got into more trouble than Mr. Rodriguez felt comfortable with. He saw three people get shot, two fatally. The relationship ended on bad terms and he said he still worries some members might come after him.

"A lot of what they did, I didn't even want to know," he said. "But it was more of a bonding experience than I ever had with Puerto Ricans, because, like I said, I was always an outsider."

'A Lousy Place to Live'

The novel never leaves the Bronx. For any of its 323 pages, and most of it does trace the grim: a crack house

called Spadgie's, an arsonist who calls his jobs "weenie roasts," a shootout where Miguel is hit with two .32-caliber bullets.

"Some people see it as a bleak message, some people see it as a message of hope," Mr. Rodriguez said. "For me it's my way of expressing my feelings about things. I'm not really saying anything about the community or the South Bronx, except that it's a lousy place to live."

A second novel, which he works on each day on one of 11 Royal manual typewriters, is no less gritty: called "Crazy Pretty," the book follows the lives of the girlfriends of posse members, many of whom he is friends with. His best friends, he said, have always been women.

A paradox of Mr. Rodriguez's work — which he concedes readily — is that the world of Spidertown may be slowly slipping away. Across the street from his house, only blocks away from heavy drug dealing, are rows of three-story brick town houses, built on empty lots, which sell for \$160,000.

It hasn't happened yet, but the day may come when the dealers and the runners and the prostitutes are pushed away by new development, called revitalization by some and displacement by others. He likes the idea of being safe, but he has mixed feelings about such a change from the world he knows.

"Look around — people got boats and everything," he said, standing on Prospect Avenue. "It looks like Yonkers these days. I wouldn't want to take anything away from them, but I think if they wanted to give something to the community they could have built more buildings."

"What," he asked, "are they going to do with all the poor people?"

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She investme fund... Its holdings include assets that are health-related, but the total of these assets is a minor portion of the fund's entire portfolio — to our knowledge, less than 10 percent. Mr. Foster was aware of these facts. The matter was not discussed with the Office of Legal Counsel."

Reasonable ethicists will grant that Mrs. Clinton's health-related holdings are, as Nussbaum writes, "clearly insubstantial, because they are both a small amount of money and an insignificant part of the Clintons' total assets." Nobody suggests she was out

Entrapping the First Lady.

to make a buck on short sales of medical stocks.

But what may well have contributed to Mr. Foster's gloom was the need to protect the First Lady from the consequences of his FACA victory with legal legerdemain. His solution was to put this active official outside the reach of the law.

Section 203 specifically exempts the President and the Vice President from the conflict-of-interest law. Adds the redoubtable, likable Mr. Nussbaum: "It is the view of the White House Counsel, consistent with the views of prior Administrations, that the First Lady, like the President, is not covered by the conflict-of-interest statutes and regulations."

That's the Foster-Nussbaum doctrine, not the law. The non-coverage of this most Governmentally energetic First Lady was not sanctioned by Congress, not approved by the courts, not even reviewed by Justice.

Justice's much-ignored Office of Legal Counsel, once led by such luminaries as Chief Justice Rehnquist and Justice Scalia, was again bypassed by the White House. (The *de facto* boss at Justice, Hillary law partner Webster Hubbell, even took over the poor guy's office space.) Mr. Nussbaum says that President Reagan's O.L.C. "opined that the First Lady was not subject to these laws" — as if Nancy Reagan ever claimed to be a Government official for any purpose.

The blind trust finalized three days after Foster's death does not clean up a half-year's dealings of an asset that a lawyer sensitive to the appearance of conflict should have ordered divested on Inauguration Day.

What must have added to Foster's mental burdens? Not the money made by Mrs. Clinton's \$14,000 piece of health stocks; that's chicken feed. It was the trap set for her by her own counsel: She must seek to join the President and V.P. as the only full-time Government officials exempt from the conflict-of-interest law.

Anthony Lewis is on vacation.

The Cop Fallacy

By David H. Bayley

President Clinton, seeking to carry out his campaign pledge to fight crime, has taken the first step toward fulfilling his promise to add 100,000 police officers across the country. He has announced his backing for a Democratic measure that, to start the ball rolling, would budget \$3.4 billion over five years. This, the President says, would pay for 50,000 new officers.

The Republicans have introduced a tough crime bill calling for substantially more police officers but not specifying any numbers.

The public, too, believes that more cops on the street is the answer to crime. But the sad truth is that hiring more officers will have no effect on the amount of crime in our society. Criminologists find no relationship between the number of police officers and crime rates. They know that the best predictors of differences in crime rates, from year to year and between different places, are social and economic factors such as unemployment, education, income, gender, age and ethnic background.

This does not mean the police should be laid off or sent on vacation. Studies of strikes and natural disasters indicate that crime does increase when the police are totally unavail-

Clinton's expensive plan won't cut crime.

able. By the same token, saturating areas with police officers deters criminal activity. As the police will admit, however, saturation is too costly to maintain for more than short periods, even in small areas. Within practical limits, therefore, varying the number of police officers is unlikely to have any noticeable effect on crime.

Our society can't afford to hire enough cops to make a deterrent difference. The possibility of increasing police visibility by hiring more officers is governed by a 10-for-1 rule: To get one officer on the street at all times throughout the year, at least 10 have to be hired.

David H. Bayley is professor in the School of Criminal Justice at the State University of New York at Albany.

Only about 65 percent of the nation's police officers are assigned to uniformed patrol. The New York Police Department calculates its "street enforcement strength" — front-line patrol officers, detectives and narcotics investigators — at just under 10,000, about 36 percent of all officers. But not all 65 percent are available all the time. They work different shifts, go on vacation, take sick leave and are sent for periodic training.

Generally, police departments estimate that it takes 5.5 officers to provide one officer around the clock throughout the year. The New York department's figure is 5.73. This means that of the 65 percent of police officers assigned to uniformed duties, only one of every 5.5 will be available at any moment. This amounts to 11.8 percent of total strength.

Add to this the fact that many uniformed patrol officers work away from the street, primarily in administrative duties, and that officers assigned to patrol are not always on the street, and it quickly becomes obvious that 10-for-1 is a conservative estimate of how many bodies are needed to create a single visible police officer. In New York City, for example, the average street enforcement strength at any time is 1,754, or 6.3 percent of total police personnel.

The 10-for-1 rule means that if President Clinton and Congress provide money to hire 50,000 new police officers nationwide, the increase in their visible street presence will be only 5,000. If these officers were assigned in proportion to population, New York State would have 350 more at any given moment, and New York City 125 to 150. This would increase the city Police Department's average street strength to about 1,900, which is 6.8 percent of total police officers.

If Mr. Clinton's additions were doled out across the country, as politicians would probably insist, each town or city would get at most one or two more. Even this almost invisible increment is prohibitively expensive. A patrol officer costs about \$50,000 per year, salary and benefits together. Following the 10-for-1 rule the cost of one more street officer is really \$500,000.

The policy of deterring crime through increasing the visible presence of the police is bankrupt — a political nostrum that sounds good but is ineffective and costly. To prevent crime, the police must become inventive, not simply more numerous. They should, for example, make better use of community policing, reduce the senior ranks and give precinct commanders greater autonomy.

Until the police show that they know how to use personnel in new ways that make a difference in preventing crime, increased hiring should be put on hold.

Bombing Baghdad Was Not Enough

THE PRESIDENT WAS SEEN

8/30



by Anthony H. Cordesman

WASHINGTON hile the attack on the Baghdad headquarters of the Iraqi intelligence service is symbolically important, demonstrating that President Clinton is prepared to use force — and to so independently — a larger vision and further action is required. Our policy toward the Persian Gulf has been in limbo since the cease-fire in 1991. It has been shaped largely by the hope that the limited use of force combined with the United Nations's sanctions and embargo will force Saddam Hussein from power.

But it is by no means certain that this pressure can bring President Hussein down. He could be felled tomorrow during internal struggles with his closest supporters or his senior military officers. Or he could last for years, responding to U.N. and U.S. pressures by forcing new sacrifices on the Iraqi people, provoking new confrontations to arouse Iraqi nationalism and increasing the ruthlessness of his oppressive regime.

U.S. policy cannot be based on hope and a war of attrition or the fate of one man who may be replaced by an equally aggressive leader. It needs clear and achievable goals. This means that President Clinton must shift from a policy based on driving Saddam Hussein from power to one based on long-term containment that the U.S., our allies, in and outside the region, and the U.N. can live with.

Our policy goals might take this form:

The Kurds. The U.S. evidently has quietly opposed a formal Kurdish autonomy agreement with the regime because it felt such an agreement would help Saddam Hussein stay in power. The U.S. should make it clear that while it does not support an independent Kurdish nation, it does insist on the kind of formal agreement on autonomy that protects the Kurds' legal and cultural rights, and their access to a fair share of Iraqi oil revenue.

Anthony H. Cordesman, professor of national security studies at Georgetown University and military analyst for ABC, is author of "After the Storm: The Changing Military Balance in the Middle East."

Shiites. That Iraqi leaders have proposed for 25 years. The U.S. ought to work with Turkey and its other allies to develop guarantees of Kurdish autonomy in Iraq that are separate from the issue of Kurdish nationalism elsewhere in the Middle East.

Kuwait's security. President Clinton needs to make it clear that there can be no new relationship and real easing of tension and U.N. sanctions without Saddam Hussein's formal agreement to Kuwait's sovereignty and Kuwait's new boundaries.

An agreement signed only by Iraqi diplomats is meaningless, but the Algiers accords on the Iran-Iraq border in 1975 showed that Iraq's leadership could sometimes be forced to keep its word — for a while.

The Shiites in the south. The U.S. should accept the fact that a no-fly zone does nothing to protect the Shiites in southern Iraq, who already are firmly under the control of Saddam Hussein's army and internal-security forces. It should acknowledge that the 3,000- to 5,000-man rebel force is no more than an Iranian proxy and cannot overthrow Saddam Hussein.

The Administration should make it clear that it would end the no-fly zone in exchange for formal Iraqi agreement to the new Kuwaiti border and recognition of Kuwaiti sovereignty.

Human rights. We have lost the

battle to enforce the U.N. cease-fire agreements on human rights, except in the Kurdish security zone. The Iraqi Army, security forces and secret police are in control, and formal Iraqi agreements to preserve human rights will be symbolic at best.

We need to shift to a policy exposing Iraq's abuses. That means expanding the State Department's human rights report and helping Amnesty International, Middle East Watch and the world's media by us-

Clinton needs to shift to a long-term containment policy.

ing our intelligence to disclose every new human rights abuse and publicly name the Iraqi officials responsible.

Saddam Hussein will ultimately go; even today few officials want to be identified as the henchmen who carried out his orders.

Weapons of mass destruction. The U.S. should help the U.N. set realistic goals for what the U.N. Special Commission and International Atomic Energy Agency can actually accomplish in the next six to 12 months, and demand that Iraq meet those goals.

It has to accept the grim fact that nothing the U.S. and U.N. can do can stop Iraq from eventually recovering

its capability to use chemical and biological weapons, launch long-range missiles and exploit its nuclear weapons technology. The best we can do is to delay this recovery as long as possible.

Washington should insist on a continuing international embargo on the transfer of all technology and equipment that would enable Baghdad to acquire such weapons. It should be prepared to reduce the leakage in such an embargo by sanctions on foreign countries and companies that violate it.

Reparations, war crimes trials and the economic embargo. The sweeping U.N. resolutions and terms of the cease-fire dealing with war crimes and reparations are already unenforceable and doing more damage to the Iraqi people than Saddam Hussein. They are, however, powerful threats. We should trade our agreement to moderate or abolish them for a formal Iraqi agreement to accept the arms embargo and inspected limits on weapons of mass destruction and to grant full recognition of Kuwait's sovereignty and new borders and Kurdish autonomy.

The regional coalition and regional security. We are in the gulf to stay. Kuwait, Saudi Arabia and the other gulf states can never defend themselves against Iraq and Iran without our aid.

President Clinton needs to steadily reinforce existing arrangements with the southern gulf states to keep air and naval power in the region. We need at least one armored division's worth of equipment pre-positioned on land or ships in the area, and rapid sealift for at least one more heavy division based in the U.S. In addition, we need to be able to sustain at least two carrier task forces in the region for more than six months.

Iran. We must acknowledge that Iran is as dangerous as Iraq and avoid making any deal with one enemy to put pressure on another.

Iraq may vanish from the headlines for weeks, even months. It will not, however, vanish as a challenge to our strategic interests.

As Bill Clinton has learned in dealing with Bosnia and the Arab-Israeli peace negotiations, no President can afford to focus exclusively like a laser on the economy. He needs to fully appreciate that his ability to manage a continuing foreign policy crisis, like the one in the gulf, will be as important to his success as President as anything he does with the economy.

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THE PRESIDENT HAS SEEN

8/30

Barry Soudy
We should keep
moving forward

THE NEW YORK TIMES MONDAY, AUGUST 9, 1993

A Woman's Place Is in the Pentagon

By Lawrence J. Korb

NOW that Ruth Bader Ginsburg has become the second woman on the Supreme Court and Sheila E. Widnall has become Secretary of the Air Force — the first female secretary of a military department — isn't it time to select a woman as chairwoman of the Joint Chiefs of Staff? Or at least to join the other five chiefs as a member of the club?

After all, women make up about 11 percent of the military, and there are 21 female generals and admirals on active duty. Besides, women are permitted to serve in every military role except ground combat.

Gen. Colin L. Powell, Chairman of the Joint Chiefs, completes his term on Sept. 30. The military services have presented President Clinton with several candidates as his replacement. While these officers represent the four branches of the armed forces and have a rich variety of experience, all are men.

The list, too limited, is out of step with the times.

Traditionalists — the military has more than its share — will argue that none of the female generals and admirals on active duty is qualified by seniority or experience. They will say that none has four-star rank or have had battlefield commands.

But such critics ignore the real demands of the job and the backgrounds of many who have served on the Joint Chiefs of Staff, yet have held neither four-star rank nor have had battlefield commands; perhaps they forget that women are prevented by law from commanding combat units.

Moreover, traditionalists probably miss the unique perspective a woman could bring to the post.

The head of the Joint Chiefs is, of course, the principal military adviser

to the President, Secretary of Defense and National Security Council. He (she?) does not command troops.

As Adm. William J. Crowe, a former Chairman (and a Clinton campaign adviser), notes in his memoirs, it doesn't matter what General Powell knows about tanks but what he understands about civilian and military bureaucracies that makes him such an effective Chairman.

Admiral Crowe admiringly calls Colin Powell a political general. The general's expertise comes not from serving in the field but from attending war colleges and civilian universities, as well as from long experience in Washington.

Rear Adm. Louise Wilmont, recently named to command the Philadelphia Naval Base and its 15,000 military and civilian employees, graduated with honors from the Naval War College in a class that included the Commandant of the Marine Corps, Gen. Carl E. Mundy Jr. She has extensive experience in the office of the Secretary of Defense.

Admiral Wilmont is unusual but

she is not unique in this respect.

(As the accompanying table shows, at least one woman from each of the other services has similarly strong qualifications.)

While it is true that the men men-

Any of several officers could succeed Powell.

tioned for the post have more seniority and experience than these female flag officers, other Presidents have not hesitated to pick less-experienced officers for the Joint Chiefs.

Gen. Earl Wheeler, Chairman from 1964 to 1970, the longest tenure in that post, was primarily a staff officer with little battlefield experience. Even Colin Powell had never commanded a division, served only nine

months as a corps commander and had never headed a major unified command.

Adm. Arleigh Burke, who served on the Joint Chiefs of Staff for six years, was only a rear admiral when President Dwight D. Eisenhower picked him as Chief of Naval Operations in 1955. Gen. Edwin Meyer was a 49-year-old three-star officer with fewer than 30 years of service when President Jimmy Carter chose him as Army Chief of Staff in 1979. Adm. Elmo Zumwalt was also only 49 when named to head the Navy in 1970.

A woman would bring special experience to the military's top position. An institution trying to grapple with such issues as sexual harassment and women in combat could profit from a leader who has walked through some of those minefields.

As Admiral Wilmont said on taking command of the Philadelphia Naval Base, "I am willing and able."

Many other female generals and admirals could say the same thing. □

Name and Rank	Service	Age	Years	Senior Service School	Washington Experience	Commands	Current Job
Brig. Gen. Claudia Kennedy	Army	46	24	Army War College	Army Staff	4	Director of Intelligence, Forces Command
Brig. Gen. Carol Mutter	Marines	48	26	Naval War College	Marine Staff	3	Commanding General, 3d Marine Service Support Group
Brig. Gen. Karen Rankin	Air Force	50	26	Industrial College of the Armed Forces	Secretary, Air Force Air Staff	3	Commander, Keesler Training Center, Biloxi, Miss.
Rear Adm. Louise Wilmont	Navy	50	29	Naval War College	Office of the Secretary of Defense, Navy Staff	1	Commander, Philadelphia Naval Base

Lawrence J. Korb, a senior fellow in foreign policy studies at the Brookings Institution, was an Assistant Secretary of Defense from 1981 through 1985.

COVER STORY

Helping the middle class afford college

New York's Cazenovia College uses endowment to offer student loans

By Tamara Henry
USA TODAY

Amy Fowler couldn't get enough federal aid to pay all her tuition and expenses at Cazenovia (N.Y.) College because her family's middle-class income was too high.

Being an out-of-state student from Eynon, Pa., she also was not eligible for state aid offered in either New York or Pennsylvania.

It's a bind many middle-income kids find themselves in — caught in limbo between wealthy students who can pay their entire college bill and low-income students who can get federal and state financial aid.

And it's a bind Cazenovia President Stephen Schneeweiss decided a long time ago to tackle. He saw too many middle-class families "hocking their houses" with home equity loans to pay their kids' tuition, he says, so he devised a plan.

Cazenovia's Zero Cash Plan allows families to borrow directly from the private college to pay tuition, room and board — now at \$13,000 a year. Schneeweiss started it 10 years ago with Cazenovia's endowment; it operates similar to a consumer installment purchase, but it requires only monthly interest payments while the student is in school.

Please see COVER STORY next page ▶

COVER STORY

'A service' for students, families

Continued from 1D

An idea similar to Cazenovia's plan is being debated in Congress. The Clinton administration wants to remove banks from the loan process, so schools can make loans directly to students with money from the Education Department. Students would repay based on their income.

Schneeweiss thinks direct lending is an idea whose time has come.

"We've been in the direct student loan business since 1983," he says. "We're a not-for-profit institution, so we take the money and reinvest it."

A Zero Cash Plan loan today would have 11.3% interest, says Schneeweiss, compared with a bank's signature loan interest of 15%. All or part of the principal can be deferred until six months after the student leaves the college. The installment note is payable over five, 10 or 20 years.

Fowler, now a junior, says the plan is a "great opportunity" because it covered the amount her family would have had to contribute.

The Zero Cash Plan "has kept me in college," says Matthew Fox, 20, a senior from Coney Island, N.Y. "Without the plan, it would have been extremely difficult for me to continue my education."

Fox's parents made the interest payments his freshman year and split the costs with him his sophomore year. The parental support stopped the third year, when Fox's brother entered college.

The Zero Cash Plan has awarded

more than 4,000 loans, amounting to \$12 million since 1983. The default rate is about 1.5%, while \$6.2 million has been repaid. Schneeweiss says banks' average default rates are 3% to 4% and the government's 12% to 20%.

Schneeweiss is known for taking risks. He transformed Cazenovia from a bankrupt two-year women's college in 1975 to a debt-free, four-year college today. Enrollment rose from fewer than 300 women to 1,073 men and women now. The endowment is now \$30 million.

To Schneeweiss, the loan program is "a service to our kids and families. We saw it as an alternative to home equity loans," which he considers a "frightening notion" as a way of financing education.

"I suspect there are quite a few" home equity loans being taken to pay for college costs, says Dallas Martin of the National Association of Student Financial Aid Administrators.

"I think it's fair to say it's used much more than it used to be and that it's a popular alternative source. It's a resource that many families turn to when they are trying to deal with that challenge of financing education," Martin says.

Changing rules have made fewer college students eligible for federal and state financial aid. And, Schneeweiss says, financial aid is declining while college costs increase.

He defines middle-income as making between \$20,000 and \$50,000, with homes valued around \$75,000 and equity at \$50,000. Some higher-

income families — \$70,000 and above — often lack liquidity to meet the family contribution portion of college costs, he adds.

The Zero Cash Plan has drawn mixed reactions from outsiders.

Monmouth (Ill.) College briefly operated a pilot program similar to Cazenovia's last year but dropped it when the state set up a new loan program. Hank Mackiewicz, dean of financial aid, explains Monmouth has "an extensive commitment to state and federal financial aid programs."

Robert Shireman, a spokesman for Sen. Paul Simon, D-Ill., one of the original creators of the direct student loan proposal, says Cazenovia's plan "seems like a good effort to provide students with the extra aid they need."

But Robert Brock of the University of Denver says "it would be a relatively risky thing to do, a gutsy thing" to use the school's endowment. "You must struggle to keep the default rate low and you really don't want to be in a position of collecting debt. It takes some effort away from education."

Schneeweiss admits other college presidents complain that they "didn't come into higher education to be a banker," and he sympathizes.

But, he says, "I didn't come into higher education to deal with alcoholics. I didn't come into higher education to deal with single-parent families. I didn't come into higher education to deal with a lot of things."

"But that's education today. Either you deal with those issues or you fail your students."

Boys lag in writing skills

THE PRESIDENT HAS SEEN

By Tamara Henry
USA TODAY

Girls are better writers.

That's the conclusion of the Education Department's just released report "The Condition of Education 1993."

The report, based on data from the National Assessment of Educational Progress and other governmental sources, found girls in grades 4, 8 and 12 consistently better writers than boys at each level. In fact, the writing skills of fourth-grade girls are about the same as eighth-grade boys.

The report doesn't say why, but girls are generally thought of as more verbal at this age. Other differences that showed:

► Girls do more homework: 76.9% of 13-year-old girls did at least one hour daily, compared to 64.5% of boys.

► In an international reading assessment, 9-year-old girls scored higher than boys in all countries, including France, Italy, Spain and West Germany.

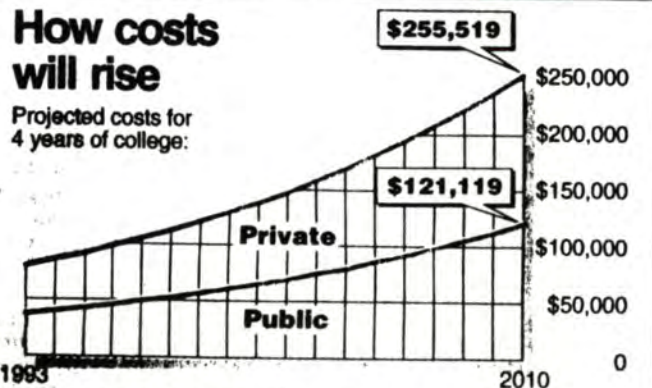
► In science, boys and girls were about the same at age 9, but by age 17 boys scored significantly higher.

► Since 1988, teen-age girls have been more likely than boys to go to college right after high school. In 1991, 67% of girls went directly to college; 58% of boys did.

For those 40 and older, however, a higher percentage of men than women had a bachelor's degree: 30.8% vs. 25.7%.

How costs will rise

Projected costs for 4 years of college:



1 — Including tuition, room and board, transportation, books and other expenses; prices 7% annual increase

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U.S. Troops for a U.N. Army ✓

President Clinton once urged creation of an American "rapid deployment force" of peacekeepers that would be on instant call to the United Nations. He's settled for something less. He won't commit a U.S. contingent to a U.N. standing army or earmark units for U.N. duty in advance. Instead, some troops will train to be part-time peacekeepers and could serve under U.N. command on "a case-by-case basis." And Washington will beef up the U.N.'s scrawny peacekeeping headquarters with staff, equipment and a training center.

That's a step in the right direction, but Mr. Clinton could go further. It may be politically ill-advised to ask Congress to pre-commit U.S. forces. But he could prudently order the Pentagon to designate one or two U.S.-based brigades to be used exclusively for peacekeeping contingencies and have them participate in joint exercises with peacekeepers from other nations.

Article 43 of the United Nations Charter calls on members to commit forces "as soon as possible" to the Security Council for a standby army under "special agreements." And President Truman promised the first U.N. General Assembly in 1946: "We shall press for the preparation of agreements in order that the Security Council may have at its disposal peace forces adequate to prevent acts of aggression."

Cold war rivalry weakened this resolve, and Article 43 was relegated to international limbo until last year when Secretary General Boutros Boutros-Ghali revived the idea of a U.N. standby army.

A standby army would reassure Americans who bridle at unending military commitments overseas. No longer the world's policeman, America would contribute its share — no more — to a world police force. It is less likely to become bogged down overseas if other nations' troops are trained to take their turn. Somalia is a case in point.

Under the Clinton directive, U.S. troops serving under U.N. command will retain separate reporting channels to Washington and refuse to obey U.N. orders that they judge to be against the law, beyond the U.N. mandate or "militarily imprudent and unsound." The U.S. will also reserve its sovereign right to "terminate" its participation in a peacekeeping operation.

But the key to effective peacekeeping is having well-equipped and well-funded forces, trained to work together and ready for instant deployment. That's where the Clinton commitment falls short. Meanwhile, Pentagon funds for peacekeeping are tied up in an unseemly turf squabble with the State Department. If Mr. Clinton doesn't knock heads, he will jeopardize support for U.N. operations.

Peacekeeping also requires special training to restrain the use of force and avoid making enemies. Peacekeepers learn to perform the same way people get to Carnegie Hall — practice, practice, practice. That's best done by designating U.S. units whose primary mission is peacekeeping. Joint exercises would make sure that these troops are not at the mercy of untrained allies.

Commander-in-Chief Clinton can better prepare the armed services for post-cold war contingencies by ordering these extra steps.

Ray → haven't bureaucratic problem been solved?

Bosnia Girl's Life Hangs on Procedural Tangle

By JOHN F. BURNS ✓
Special to The New York Times

SARAJEVO, Bosnia and Herzegovina, Aug. 8 — Irma Hadzimuratovic is 5 years old, and she is one of thousands here who have been struck by artillery shells. She lies naked on a bloodstained bedsheet in the old military hospital, moaning quietly, and doctors say her only hope of survival is evacuation to a hospital abroad.

There is no dispute that the mortar that killed the little girl's mother and punctured Irma's back near her spine left the child in critical condition, but Irma cannot go, even if it is her only chance, because of bureaucratic entanglements and United Nations rules.

A committee of four foreign doctors must approve every evacuation aboard a United Nations plane. Two committee members are based outside Bosnia. They have no immediate plans to meet, and there are no emergency provisions for an exception.

Many Answers — All 'No'

This afternoon, Dr. Edin Jaganac, one of a team of doctors caring for Irma, pulled nervously on a cigarette in the corridor outside the intensive care unit where Irma lay in the twi-

light. For five days running, he said, he had made the journey of several miles to the United Nations Building, only to be told that there was no hope of finding a place for Irma on any of the 20 United Nations aircraft that leave here each day, most of them empty, after delivering relief supplies and shuttling officials.

"I have had hundreds of different answers," Dr. Jaganac said. "They've told me she can't go because she doesn't have the proper papers, because they haven't got a hospital for her to go to; and because they don't have a properly-equipped evacuation aircraft. Some of the excuses are just stupid, such as, 'Who will take care of her body if she dies?' and 'Who will take responsibility for getting the body back to Sarajevo?'"

Dr. Jaganac, who is 36 years old, said that Irma's condition worsened rapidly today, with the development of a stress ulcer complicating her other injuries.

When the mortar fired by Serbian nationalist troops on a street near Irma's home 10 days ago, it killed two people, including Irma's mother, Elvira, 30, and wounded 12 children. A mortar fragment entered Irma's back,

compressing her spine and rupturing her intestines.

Although the spinal injury has not caused paralysis, Irma's doctors have been puzzled by symptoms that suggest that she is suffering from either a brain injury from her head hitting the ground or from meningitis resulting from infection of the spinal cord. They say that an accurate diagnosis would require a CAT scan, an impossible task in a city where there is no main electricity and where hospital generators provide insufficient power for the complex machines. In addition, the doctors say, hospital conditions have made it impossible to conduct the extensive blood tests necessary to track Irma's condition.

"If she stays in this hospital, she will die, that is certain," Dr. Jaganac said, gesturing to the bed where Irma lay, eyes open, with her body heavily bandaged and laced about with tubes. "We would not be asking the United Nations to evacuate a patient that we thought would die anyway. She can die here as well as anywhere. But we think she can be saved, at almost any hospital in Europe or elsewhere that is operating in normal conditions. All we ask is the chance to get her there."

As Prospects Improve for Passage of Brady Bill, NRA, Opponents Debate What Should Come Next

By JAMES M. PERRY

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — President Clinton is scheduled to outline his views on crime legislation in a Rose Garden ceremony today, and he is expected to urge Congress to pass the Brady bill, setting a national waiting period for the purchase of handguns. He has vowed he will sign it into law.

With the president's support, the chances of passing the Brady bill are improved. But nobody believes that passage of the bill would mean the "bad guys" will suddenly be disarmed or that the killing will stop. Americans own 200 million guns, 40 million of them handguns. In 1990, the latest year for which figures exist, 37,155 Americans died from gunshot wounds, including 4,941 people under the age of 20.

Americans, increasingly frightened by urban rioting, cult arsenals and casual drive-by shootings, are much more likely to buy guns than to give them up. The Brady bill won't change that.

"It's necessary, it's rational," Daniel Webster, an instructor at the Injury Prevention Center at Johns Hopkins University, says of the bill. "But it has significant limits to what it can accomplish.

We need to break away from concentrating on this legislation to get at the roots of the problem."

There is immense disagreement on what these next steps might be. Yet, beyond the emotionally charged Brady bill (it's named for former White House press secretary James Brady, badly wounded and crippled for life in the assassination attempt on President Reagan's life), some provocative notions are being floated about what might be done to begin silencing the guns.

A couple of these notions are even supported by the National Rifle Association:

— Sharply reduce the number of Americans licensed to sell guns. There are 280,000 dealers peddling guns, most of them working out of their homes or the trunks of their cars. They pay \$30 for a three-year license. Johns Hopkins's Mr. Webster urges raising the fee to \$2,500 and requiring that every dealer maintain a shop from which to do business. James Jay Baker, the NRA's chief lobbyist, says the proposal is reasonable.

— Sharply increase the penalty for selling illegal guns. David B. Kopel, an NRA defender who believes the nation would be safer if even more homes con-

tained guns, has proposed the idea, and the NRA thinks it would be helpful. Writing in the Heritage Foundation's magazine, Policy Review, Mr. Kopel says that "selling a 'hot' \$75 pistol ought to be a more serious offense than selling a 'hot' \$75 toaster-oven."

There are plenty of other ideas that the gun lobby either opposes or believes to be unworkable.

One idea that has been widely floated would have the federal government increase the tax Americans pay to buy legal guns. It's now 11% for long guns and 10% for handguns, and it produces about \$150 million a year. Reformers talk about doubling the tax, perhaps using the added revenue to help pay for health care.

The reformers argue it isn't the money that would be collected that's so important. It's the social benefits that would take place. "Raising the price of a new gun makes a difference in the price of an illegal gun on the street," says Philip Cook, a public-policy professor at Duke University. "Maybe a teenage criminal decides he can't afford to buy a gun. It's tough for a 15-year-old to buy a car; we have to make it just as tough for him to buy a gun."

The gun lobby argues that gun-control laws don't work. The reformers respond that gun-control laws don't work because most of the time they aren't enforced.

Mark Moore, a professor of criminal justice at Harvard University, says ways must be found to keep the guns out of the hands of the "bad guys." The Brady bill, with its five-day waiting period to buy a handgun, might help, he says. But he would toughen enforcement by giving cops portable magnetometers, like the ones used to screen airline passengers, to check suspects for illegal concealed weapons. The NRA's Mr. Baker says he isn't opposed to using magnetometers; he simply doubts they would do much good.

A new element has been added to the gun debate in the last few years, public health specialists, and they too have some

ideas.

They point to a serious problem inside people's homes, where thousands of Americans are killed or wounded every year in homicides, suicides or gun accidents. Safer guns, some of these specialists say, would help. Dr. Arthur Kellerman, a professor and director of the emergency department at the University of Tennessee Medical Center in Memphis, says there is no reason handguns in the home couldn't be kidproof, just like caps on medicine bottles.

"Smith & Wesson," he says, "made a

childproof gun for 80 years and bragged it was never used to kill a child. But they pulled it off the market. Now they are deliberately making a hazardous weapon when they know from their own experience they can make a safer one."

A spokesman for Tomkins PLC's Smith & Wesson says the gun, known as the "lemon squeezer" because "you had to squeeze hard on the handle before you could pull the trigger," was produced from 1887 until shortly before World War II, when it was dropped because hardly anyone was buying it.

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Shd be considering
other ideas - a couple
has
been look pretty good
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