

THE WHITE HOUSE

WASHINGTON

May 23, 1995

MEMORANDUM FOR MIKE MCCURRY

THRU: JOHN PODESTA 
FROM: JIM DORSKIND
SUBJECT: NATIONAL MISSING CHILDREN'S DAY, 1995

Attached is the President's message for NATIONAL MISSING CHILDREN'S DAY, 1995, which you may want to release to the media. The observance date is Thursday, May 25, 1995. I understand that Attorney General Reno will be reading this message on that day. Perhaps it would be appropriate to release the message after she has read it.

Thank you.

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

NATIONAL MISSING CHILDREN'S DAY, 1995

May 25, 1995

Greetings to everyone observing National Missing Children's Day, 1995. I am pleased that so many Americans are joining together to improve safety and reduce crime in communities across the country.

In the wake of the tragedy in Oklahoma City, we have drawn strength from reaffirming our commitment to protecting our children -- making their well-being and security our highest national priority. Until we have done everything in our power to help young people lead happy, productive lives, we cannot say that our country is prepared for the great challenges that lie ahead.

The devastating effects of child abduction threaten our hopes for a brighter future. It is a tragedy that occurs daily and causes untold anguish to the families and children involved. I commend the many caring organizations who have dedicated their resources to raising public awareness of child abduction and to protecting young people from victimization. Your efforts are serving to return many children, safe and sound, to their families and homes.

Hillary and I join you in offering our prayers for all missing children and their families, and we wish you the best for a memorable day.

WILLIAM J. CLINTON

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THE WHITE HOUSE

WASHINGTON

NATIONAL MISSING CHILDREN'S DAY, 1995

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Hillary and I join you in offering our prayers for all missing children and their families, and we wish you the best for a memorable day.

Bill Clinton

A nice note
from Doug
Coe

good → agree
swag by again
before long

good - agree I
should go by
again
before long.

THE PRESIDENT HAS SEEN
5-23-95

133 C Street, S.E.
Washington, D.C. 20003
(703) 522-0266

May 12, 1995

Gaffin
Webster

Dear Mr. President,

This note is to keep you up to date. First, I want you to know that the men in the little group in the Senate and House continue to think of you and pray for you on a regular basis.

Second, they really would like you to come back and visit them again in the Senate. Senator Bennett will be sending you a note about it very soon. Really hope you will be able to come again on a Wednesday morning.

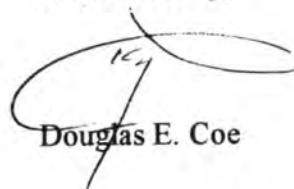
Third, as a result of your time with the leaders from the different countries that you met with privately before and after the National Prayer Breakfast some important things have happened.

1. A weekly group has started in the Indian Parliament across party and religious lines.
2. A little group has also begun in Bangladesh.
3. Another group of parliament members in Japan has started.
4. Prime Minister Eugenia Charles of Dominica met with leaders from throughout the Caribbean recently with a format similar to the Senate group.

These things would not be happening without your encouragement. What you have done to help is really tremendous.

Thanks so much for all you do. Call if I can help!

Most sincerely,


Douglas E. Coe

The Honorable Bill Clinton
The President of the United States
The White House
Washington, DC 20515

Just learned you & Gen. Kichlighton
had a good talk - & that he gave
you some of this report.
He said you did great in Russia.

THE PRESIDENT HAS SEEN
5.23.95

THE WHITE HOUSE
WASHINGTON

95 MAY 23 P3:32

MEMORANDUM FOR THE PRESIDENT

FROM: ALEXIS HERMAN
SUBJECT: BRIEF MEET AND GREET WITH MONTE MITCHELL,
PRESIDENT OF AIRCRAFT ELECTRONICS ASSOCIATION AND
FAMILY.
DATE: MAY 23, 1995

When you arrive at the Hilton for the DSCC/DCCC dinner you will be greeted by Monte Mitchell, President of the Aircraft Electronics Association (AEA), his wife, two daughters and their husbands. Mr. Mitchell was in the Oval Office when you signed the General Aviation Revitalization Act on August 17, 1994.

The General Aviation Revitalization Act has produced significant results for them for which they are both grateful and excited. According to Mr. Mitchell, as a result of this legislation the Cessna Aircraft Company is building a new factory to again produce single engine piston aircraft, the last time they produced this type of plane was in 1986. The plant should be built about one year from now and produce aircraft by the end of 1996. They will hire 2,000 people over the next two years to produce 2,000 aircraft per year.

The AEA is holding their convention at the Hilton this week. They had reserved the Cabinet Room and Ballroom this evening but changed their plans in order to accomodate the DSCC/DCCC dinner.

CC Desnick
Hogan will sign for me
BC

THE WHITE HOUSE
WASHINGTON

DATE: 05/23/95

sent
95 MAY 24 11:40

NOTE FOR: SECRETARY HENRY CISNEROS

The President has reviewed the attached, and it is forwarded to you
for your:

Information ☒

Action ☐

President's note -

'Great
The demolitions are a possible real Rego
effort'

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

cc:



THE PRESIDENT HAS SEEN

5 22 95

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410-0001

MEMORANDUM

FOR: Honorable William J. Clinton
Vice President Albert Gore

THRU: Harold Ickes
Kitty Higgins
Billy Webster

FROM: Henry G. Cisneros

DATE: May 16, 1995

SUBJ: HUD Reinvention Strategy -- Remaking Public Housing

Handwritten notes and signatures:
- "Great" (above "THRU")
- "Ross" (above "THRU")
- "for" (above "THRU")
- "Regional" (above "THRU")
- "B.C." (below "THRU")
- "Henry Cisneros" (signature over "FROM")

Over the last several weeks, we at HUD have focused our efforts on the reinvention of public housing. We have embarked on an aggressive outreach strategy to demonstrate HUD's commitment to address the nation's worst public housing developments and to share the best practices of quality public housing authorities from across the country. Since this is a direct result of your directions to us concerning the reinvention of HUD, I want to apprise you of our progress.

The following outlines recent accomplishments and upcoming events that form the basis of our efforts to change public housing.

Accomplishments to Date

1. **"Progress in Public Housing" Announcement with New Orleans Mayor Marc Morial (April 25).** Mayor Morial and I held a press conference to announce breakthroughs in reversing years of mismanagement at New Orleans' housing agency. The Mayor announced his recovery plan -- to spin off two of the city's worst public housing developments, Desire and Florida, to a newly organized public benefit corporation for oversight and management. The progress in troubled agencies in New Orleans, and such other major cities as Memphis, Philadelphia, Jacksonville, and Detroit, and with court-appointed receiverships in Chester and Kansas City, demonstrates the "no tolerance" approach HUD has adopted to turn around poorly run public housing authorities.
2. **Public Housing Demolition in Philadelphia (April 30).** I joined Mayor Ed Rendell in Philadelphia to initiate the demolition of 5 highrises (over 800 units) of public

housing at the notorious Raymond Rosen projects. The last three highrises are expected to be demolished soon. All will be replaced with townhouses on the site and single family homes scattered in other areas.

3. **Public Housing Demolition in St. Louis (May 1).** Mayor Freeman Bosley, Senate Subcommittee Appropriations Chairman Christopher Bond and I participated in the kick-off of demolition activities at the Vaughn public housing development. All 656 units of housing at Vaughn public housing complex will be demolished and rebuilt as attractive townhouse apartments.
4. **Receivership for D.C.'s Public Housing Agency (May 4).** With the support of Mayor Marion Barry, we announced that a court-appointed receiver will takeover the management of the District's troubled Department of Public and Assisted Housing (DPAH). The receiver, David Gilmore, a respected housing professional and executive director of the Seattle Housing Authority, will have full authority for DPAH, including the authority to reorganize and bring in the necessary personnel.
5. **Demolition of Atlanta's Techwood: The "Olympic Legacy" (May 12):** Last Friday, I participated in the kick-off of the transformation of Techwood Clarke-Howell Homes (Techwood). Techwood is the oldest public housing development in the nation. Over 1,000 units will be torn down over the next few months and replaced with attractive single family homes both on- and off-site. Because the 1996 Summer Olympic athletes will be housed across the street from the Techwood Homes, HUD has been working closely with the City to ensure completion on schedule.
6. **Heroes of Public Housing.** Last April, HUD hosted the first annual Heroes of Public Housing ceremony to recognize talented and successful men and women who grew up in public housing. This year's honorees were country singer Kenny Rogers, Olympic Gold medalist Florence Griffith Joyner, Congressman Louis Stokes, labor leader Bob Georgine, Minnesota educator Angelita Reyes, and tenant advocate Bertha Gilkey. HUD intends to build upon the success of this event and recognize local public housing "heroes" in events across the country.

Upcoming Events

1. **Groundbreakings.** After ongoing demolitions, many housing authorities are ready to begin groundbreaking ceremonies for construction of new forms of housing. Much of this reinvention is made possible by funds you approved in your first two budgets.

Kansas City (May 22). The Housing Authority of Kansas City (MO) will celebrate the groundbreaking of Riverview Apartments, one of two major developments which were so uninhabitable that the residents obtained a federal court receivership for the housing authority. The groundbreaking marks the success of the receiver in gaining broad community and resident support in turning around a troubled agency.

Puerto Rico (May 25). A ceremonial groundbreaking will focus on the rehabilitation of the "*La Nueva Puerta de San Juan*," a distressed community in the heart of San Juan. Improving public housing in this neighborhood is one of the Governor's top priorities and was highlighted in his State of the State address.

2. **Deterring Crime in Public Housing through Defensible Space.** Next week, I will hold a briefing on the concept of "defensible space" as a cost-effective anti-crime measure in public housing. Earlier this year, the Department published and distributed a guidebook on "Defensible Space: Deterring Crime and Building Community."
3. **Announcement of Flexible Funding for New York City's Low-Income Housing (tentatively May 17).** Mayor Rudolph Guiliani, Senator Alfonse D'Amato, Senator Patrick Moynihan and other members of New York's Congressional delegation will join me in an event to announce an innovative federal-state-local partnership to modernize State-funded public housing in the State of New York. HUD will announce the re-use of \$230 million of previously reserved federal funds to immediately repair and rehabilitate over 22,000 units of *non-federal* housing in New York City. This flexible reuse of federal funds will enable New York City to provide better housing for low-income families, stimulate neighborhood revitalization, and generate new jobs across the five boroughs.
4. **Innovative Partnership with Detroit (May 23).** HUD will announce a partnership with the City of Detroit to reverse years of public housing mismanagement in the city. HUD and the Mayor will sign a memorandum of understanding outlining an ambitious 18-month plan to rebuild Detroit's public housing authority and position it for separation from the city.
5. **Public Housing Challenge in Chicago.** The deteriorating public housing highrises in Chicago are national symbols -- Cabrini Green, Robert Taylor Homes -- and constitute the dominant images of failed housing for the poor. HUD has made repeated attempts to convert the poorly-run Chicago Housing Authority (CHA) into an agency that can provide decent housing for low-income families. Our lack of progress in reforming the agency leads us to work with Mayor Daley on an aggressive plan to make "real" change in the CHA. We have set internal deadlines to produce a working plan by May 30th.
6. **Public Housing Challenge in San Francisco.** The Mayor plans to reorganize this troubled housing authority. He will request technical assistance from HUD, which we will provide. I will be meeting with San Francisco Mayor Frank Jordan this week.
7. **Public Housing Demolition in Houston (tentative for May 26).** HUD will announce approval of Houston's demolition plan for Allen Parkway Village (APV), a 963-unit public housing development with only 22 units occupied. HUD has been working with the City and residents for 15 years to resolve an impasse. The future of APV includes demolition of 758 units which will be replaced by a mixture of housing styles with social and educational services.

I have also attached for your review several press clips and a newsletter, which both demonstrate the progress of our public housing reinvention efforts.

HUD's reinvention plan is beginning to gain broader support from both our constituents and Congressional members and their staffs. You may have noticed that the Republican budget proposals do not eliminate the agency as originally threatened.

The next phase of our reinvention media focus will be on HUD efforts to promote homeownership and to create a more entrepreneurial FHA. That will begin with a June 5th event tentatively on your schedule at which you will announce a strategy with 51 public and private sector partners to achieve an all-time record homeownership rate for the U.S. by the year 2000.

THE WHITE HOUSE
WASHINGTON

DATE: May 22, 1995

95 MAY 22 P4:14

TO: John Podesta

FROM: Marvin Krislov
White House Counsel
Room 128, OEOB, x7900

- ☐ FYI
- ☒ Appropriate Action
- ☐ Let's Discuss
- ☐ Per Our Conversation
- ☐ Per Your Request
- ☐ Please Return
- ☐ Other

Please review &
comment as to
possible release.
Thanks

*I have
no problem
releasing
all of this*



U.S. Department of Justice
Office of Information and Privacy

Telephone: (202) 514-3642

Washington, D.C. 20530

MAY 17 1995

MEMORANDUM

TO: Office of the Counsel to
the President
The White House

Attention: Marvin Krislov

FROM: *Margaret Ann Irving*
Margaret Ann Irving
Deputy Director

SUBJECT: Freedom of Information Act Requests of David Morris and
Phil Kuntz, re: Correspondence between Newt Gingrich
and the Department of Justice ## OLA/95-R0067;
AG/95-R0139 and OLA/95-R0140

This is in reference to the above FOIA requests which were received by this Office. Attached are three documents which contain information of primary interest to The White House. Accordingly, I am forwarding these documents to you for any comments or recommendations you may have regarding the sensitivity of the material. Copies of the request letters are also attached.

The documents consist of an undated draft letter from President Clinton to Congressman Gingrich; a memorandum dated February 15, 1994, from The White House to Sheila Anthony; and a letter dated February 9, 1994, from 24 members of the House of Representatives to President Clinton concerning various crime issues. Our preliminary determination is that these documents may be released in full to the requesters as they appear to contain no sensitive information. Although the draft letter may be withheld pursuant to FOIA Exemption 5, 5 U.S.C. § 552(b)(5) (deliberative process privilege), I recommend that it be disclosed as a matter of agency discretion.

Please provide me with your comments at the following address:

Office of Information and Privacy
United States Department of Justice
Flag Building, Suite 570
Washington, D.C. 20530

If you have any questions, please call me at 514-4251.

Attachments



Jan. 18, 1995

Carl Stern
Chief Spokesman
Department of Justice
Washington, DC

Dear Carl:

Please consider this letter a formal request for information under the Freedom of Information Act, 5 USC 552. Specifically, I seek copies of the following:

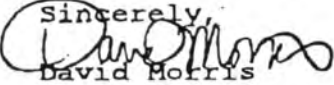
Correspondence between Congressman Newt Gingrich of Georgia and the department or any Justice official, from the period Jan. 1, 1992, to the present.

I am willing to review these documents at your office or to receive copies. I am prepared to pay reasonable search and copy fees. However, as a reporter, I ask that such fees be waived because dissemination of the information will be "primarily benefitting the general public." The Act allows a fee waiver for that purpose.

Because this information is of timely value, I would appreciate you bringing any questions to my attention by phone instead of mail. My direct line is 202-828-6458.

Thanks Carl.

Sincerely,


David Morris
Reporter

AF

AG 95-R0127

DAG 95-R0128

AA 95-R0129

OLA 95-R013

THE WALL STREET JOURNAL.

DOW JONES & COMPANY, INC.

Carl Stern
Office of Public Affairs
The Department of Justice
10th Street and Constitution Avenue NW
Room 1228
Washington, D.C. 20530
FAX: 307-2017
202-616-2777

Publishers
1025 CONNECTICUT AVENUE N.W.
SUITE 800
WASHINGTON, D.C. 20036

AG/95-R0139

OLA/95-R0140

February 15, 1995

Dear Mr. Stern:

Please consider this a request under the Freedom of Information Act. I would like all records in your agency's possession showing communications to and from Rep. Newt Gingrich in reference to the following matters:

1. Southwire Inc., a Georgia company that was indicted in 1992 and later plead guilty to environmental crimes related to a South Carolina subsidiary, Gaston Copper.

2. Flowers Industries or any other baking companies reportedly involved in a federal bid-rigging and anti-competitive practices investigation.

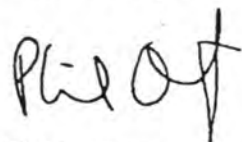
3. Thiele Kaolin Co., or any other kaolin mining companies reportedly involved in an antitrust investigation.

As a separate FOIA request, I would like all other communications to and from Rep. Gingrich for the past five years that are readily available in either your congressional affairs office or in the office of the Attorney General. PLEASE CONSIDER THIS A SEPARATE REQUEST, BECAUSE I DO NOT WANT THE ABOVE REQUEST TO BE HELD UP BY THIS OBVIOUSLY BROADER REQUEST.

There is no need to wait until you have all the information together before fulfilling either of my requests. Please release whatever information you gather as soon as it becomes available. If you have any questions, I can be reached at The Wall Street Journal's Washington D.C. bureau at (202) 862-9283. Please notify me by phone as soon as you have any information available.

Thank you very much for your prompt attention to this matter.

Sincerely,



Phil Kuntz
Staff Reporter

DRAFT

The Honorable Newt Gingrich
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Gingrich:

I share the eagerness to pass effective anti-crime legislation expressed in the February 9 letter from you and other Members of the House. I am hopeful that the spirit of bipartisanship that allowed the enactment of the Brady Bill will continue and that early in this second session Congress will pass, and I will be able to sign, landmark anti-crime legislation -- legislation which will have a real impact on crime and violence that ~~is~~ ^{are now} all too prevalent in our country. Like you, ~~I want to take action now.~~ ^{is}

Handwritten notes on left margin: "I want to take action now" and "H is the only one"
The American people demand a crime bill that will make a difference. First, we need a stronger police presence, not only to catch criminals, but to prevent crime. My initiative to provide an additional 100,000 police on our streets, engaged in community policing is essential. Second, the crime bill must stiffen penalties. The Senate-passed bill adds capital punishment for a number of crimes, and some of them are quite appropriate. When someone kills a law enforcement officer in the line of duty, the penalty ought to be death, and if someone is convicted of at third violent felony, they should be put away for good. Third, we need to find the best way to assist states with their problems of prison space. The fourth thing we need to do is make sure that criminals are not better-armed than police officers. We must enact an assault weapons ban. Fifth, we need to enact the safe schools initiative so that our children attend schools that are gun free, drug free and violence free. Sixth, violence against women must be treated seriously. Finally, we must do more to prevent crime and provide alternatives for our young people. *Handwritten notes on right margin: "3546", "T'gnd", "WYS"*

As I said in my State of the Union Address, we need to be both tough and smart, recognizing that we must take serious steps to reduce violence and prevent crime. All members of my Administration's crime fighting team are committed to this proposition, and I am proud of the work that we have done my first year as President.

Thank you again for your letter. I am confident that we can work together to give the American people tough, practical anti-crime legislation that will help stem the tide of violence we now face.

Sincerely,

William J. Clinton

THE WHITE HOUSE

WASHINGTON

February 15, 1994

MEMORANDUM FOR SHEILA ANTHONY

FROM: SUSAN BROPHY *SB*
LEGISLATIVE AFFAIRS

SUBJECT: Presidential Correspondence

Enclosed please find a copy of the letter that was sent to the President from several members of Congress.

The President has requested that he see and sign every letter being sent to Capitol Hill. Since we did not want to respond to this letter without your guidance, I am requesting that your office draft a response and return it to LeeAnn Inadomi (WH-East Wing) **within 48 hours**. She will then print the letter in final form and have it sent to the President for his signature.

Thank you very much for your assistance with this matter. If you have any questions, please feel free to call LeeAnn at 456-7500.

Enclosure

*Reid OLA
2/16/94
H 40*

Congress of the United States

House of Representatives

Washington, DC 20515

05

February 9, 1994

The Honorable William J. Clinton
President of the United States
The White House
Washington, D.C.

Dear Mr. President:

Recent polls and the strong anti-crime messages sent in the November 2, 1993 elections in Virginia, New Jersey, and New York City demonstrate that the American people are tired of being hostages to violent crime and are looking for action to put a stop to the crime epidemic now. They are fed up with the discredited theories that "it is all society's fault" or that we have to wait to solve the "root causes" of crime before we can take action.

Despite your frequent expressions of concern regarding crime, your Administration has assembled a disappointing record in its first year. In particular, it has become increasingly clear that your Attorney General's approach to fighting violent crime is at odds with the approach you articulated during the 1992 election. From the Justice Department's questionable reinterpretation of a child pornography statute in the Knox case to the Attorney General's opposition to the death penalty for drug kingpins to the Attorney General's consistent opposition to mandatory minimum sentences to the emasculation of proven programs such as Project Triggerlock and the Weed and Seed program -- the message of this Administration to law enforcement is that we will tie your hands whenever possible. As reported in a recent *Wall Street Journal* article, the policies currently under consideration at the Justice Department "read like a wish list from the defense bar," and have left career prosecutors asking themselves whether they are "employed by the Justice Department or the Department of Social Work."

We hope that the strong statements made in your State of the Union address and in support of your fiscal year 1995 budget submission indicate that you and your Administration are ready to get serious about fighting violent crime. Toward that end, we offer the following five bold new steps and propose that you restore the proven Reagan and Bush Administration anti-crime policies discarded over the past year.

I. Five New Policies That Criminals Would Hate

- ◆ First, ***help states and localities build more prisons.*** Studies have shown that approximately 7 percent of criminals commit more than 70 percent of all violent crimes. Putting more police officers on the street is a good first step toward helping get this small cadre of repeat offenders off the street. But without building more prison space, funding for more police will just make the revolving prison door spin faster. Hopefully, your fiscal year 1994 budget proposal to cut more than \$500 million in prison construction funding does not indicate your final position on the importance of new prison construction.

The state/federal partnership passed in the Senate and currently under consideration in the House to build new regional prisons conditioned on truth-in-sentencing reform is a must. We should also explore launching a crash prison-building program utilizing existing military bases. To help pay for these plans we should waive costly federal regulations and mandates that drive up prison construction, conversion, and operation costs. Our goal is to ensure that when our regional prison system is up and running that no violent criminal need be released due to lack of space.

- ◆ Second, ***keep these violent offenders in prison longer.*** Today, violent criminals arrested under state law spend only about one-third of their sentences in prison. In addition to being overloaded, many state and local correctional systems are also broken. Before the federal government pumps billions of dollars into these state systems, certain reforms should be made to keep the most violent criminals in jail longer. Needed reforms include truth-in-sentencing, pre-trial detention, and mandatory minimum sentences. The combination of more police officers, more prison space and longer sentences sends a clear message to criminals that they are more likely to get arrested and will get a much longer sentence if caught. In a word, these measures spell deterrence that criminals will understand.
- ◆ Third, ***enhance federal sentences for violent crime.*** The centerpiece for this effort should be a federal "three strikes and you're out" law along with stiffer gun and drug sentences for the most egregious offenders.
- ◆ Fourth, ***enact a workable federal death penalty.*** A credible and frequently enforced death penalty is the ultimate deterrent to crime, and violent criminals that wantonly kill or otherwise indirectly deal death on our streets should pay a commensurate price. Death penalty reform should focus on creating procedures that will lead to federal executions, not simply on enacting laundry lists of new death penalties that will never be enforced because the procedures are defective.

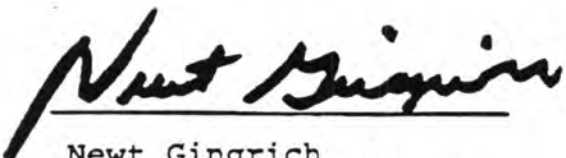
- 05/22/94 08:00 010 014 011 012 ORIGINAL 007
- ◆ Fifth, **enact a "good faith" exception to the exclusionary rule** concerning the admissibility of evidence. Criminals should not be able to get off on legal technicalities when police officers gather evidence in good faith.

II. Restore Policies That Work

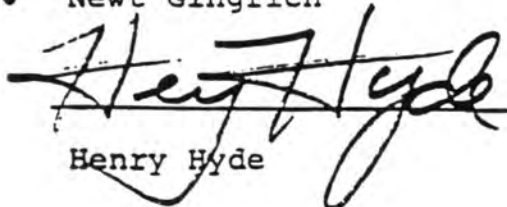
- ◆ First, you should **recommit your Administration to the tough drug control policies of the Reagan and Bush Administrations**, including fully staffing the Office of National Drug Control and Policy (ONDCP), supporting the death penalty for drug kingpins, and supporting mandatory minimum sentences for serious drug crimes. Cutting ONDCP staff by more than 80 percent and statements from your Attorney General that "[m]andatory minimums shouldn't be used as leverage," represent a serious reversal of the tough anti-drug law enforcement policies you inherited.
- ◆ Second, you should **instruct the Attorney General to restore the so-called "Thornburgh directive"** that instructed U.S. Attorneys to seek maximum penalties in criminal cases and in plea bargains. This is an extremely important reversal that could result in lower sentences across a broad range of crimes in every corner of the country. The reversal of the Thornburgh directive signals a fundamental prosecutorial attitude shift that sends the wrong message to criminals.
- ◆ Third, **restore support for Project Triggerlock and the Weed and Seed program**. Project Triggerlock has resulted in the arrest of more than 15,000 violent gun offenders and led to an average 18 year sentence without parole for armed career criminals. The Weed and Seed program has also demonstrated dramatic successes in the areas where it has been implemented and has enjoyed bipartisan support in Congress since its inception.

Mr. President, we believe that any serious effort to curb violent crime must include, at a minimum, the steps described above. We are ready, willing, and able to work with you immediately to implement these important reforms.

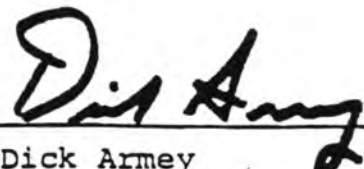
Sincerely,



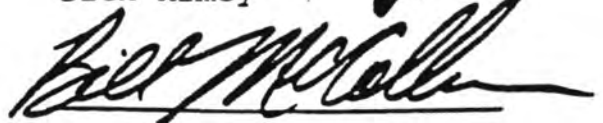
Newt Gingrich



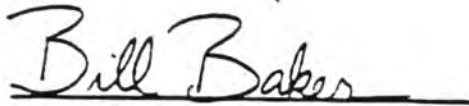
Henry Hyde



Dick Armey



Bill McCollum



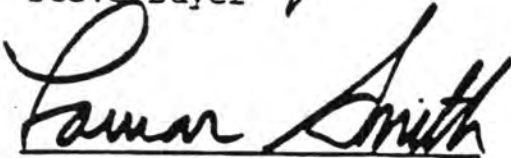
Bill Baker



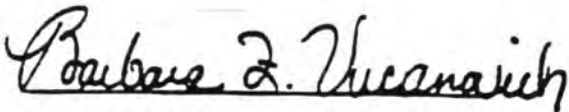
Rod Grams



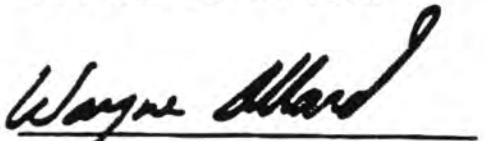
Steve Buyer



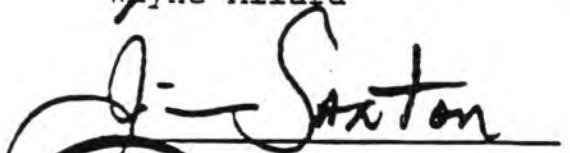
Lamar Smith



Barbara Vucanovich



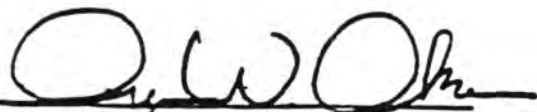
Wayne Allard



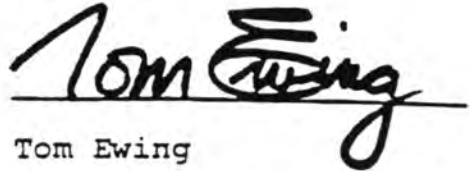
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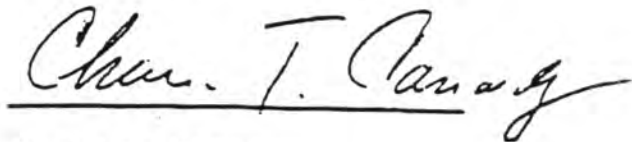
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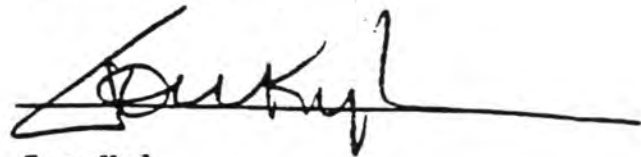
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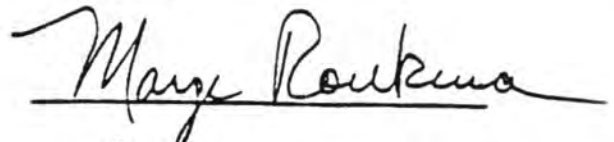
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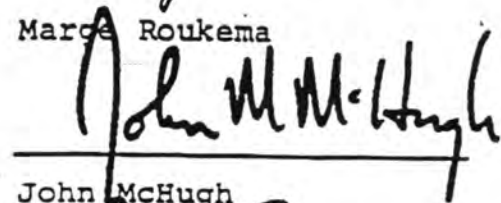
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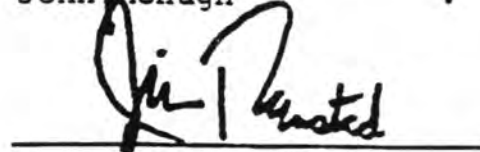
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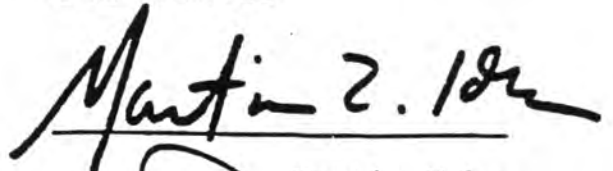
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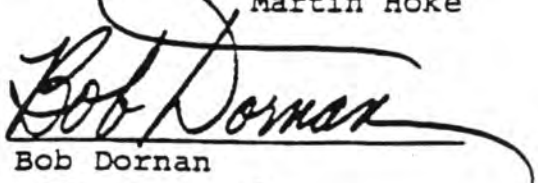
John McHugh



Jim Ramstad



Martin Hoke



Bob Dornan



John Linder

Jim Bunning

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Tom DeLay

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Sam Johnson

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David Levy

David Levy

Jim Sensenbrenner

Jim Sensenbrenner

Carlos Moorhead

Carlos Moorhead

THE PRESIDENT HAS SEEN 5/23

THE WHITE HOUSE

WASHINGTON

April 27, 1995

MEMORANDUM FOR LEON PANETTA
HAROLD ICKES
ERSKINE BOWLES

FROM: GEORGE STEPHANOPOULOS
ALEXIS HERMAN/FLO MCAFEE
ABNER MIKVA/JAMES CASTELLO/STEVE NEUWIRTH
BILL GALSTON
MELANNE VERVEER

SUBJECT: RELIGION

MAILED 9 MAY 1 10:45
IS THIS A
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LEON
B5

President Clinton has a powerful message to share with the American people about the role of religion in American life. The President, like most Americans, believes that the government should protect -- but not sponsor -- religious expression. As the President showed in Oklahoma City, he understands that religion and religious institutions offer our communities support, values and hope. Religion is an important part of the President's own life. And he wants to create an environment in which religious discourse draws people together, rather than pushes them apart.

The American people seem intensely concerned about moral drift in the nation, and about the many outside influences that are shaping their children's character. In some respects, people may be far less interested in the Washington legislative process than in concepts like family, individual responsibility, community and religion.

Unfortunately, many, if not most, Americans remain unaware of the President's views. We believe the White House should develop a strategy by which the President can exercise genuine leadership on the issues of religion and values. The President cares deeply about these issues. These issues also offer a thematic basis to tie together various Clinton initiatives, from welfare reform to education to urban economic development.

The window of opportunity for the President to seize the initiative and define the debate may be small. We expect that in the coming months -- and perhaps promptly -- congressional Republicans will introduce either a constitutional amendment on religion and school prayer, or some form of religion legislation. Dole and Gramm have already expressed support for action in this area. Without a reasonable alternative, these Republican initiatives could set the standard for debate and even prove attractive to citizens who generally fear state involvement in religion but yearn for a return to morality and virtue in our communities.

The themes articulated by the President in Oklahoma City -- in particular, the concerns about how we raise our children and the kind of communities in which we live -- lay an important groundwork for further Presidential discussion of values and religion.

Several other Presidential efforts could also be built upon. In 1993, with bipartisan support and to the accolades of "conservative" and "liberal" religious leaders, the President signed the Religious Freedom Restoration Act. (President Bush had been unwilling to support similar legislation.) The President has demonstrated his commitment to the Act on several occasions. White House Public Liaison has coordinated a substantial effort of outreach to the religious community, including private meetings at the White House and Presidential speeches at prayer breakfasts and other religious events. Each of our offices has engaged in a dialogue with religious leaders, several of whom have offered to support the President in this area.

At the same time, the Education Department has pursued several relevant initiatives, including a Family Involvement Initiative that now includes 33 different religious organizations. Secretary Riley meets on a regular basis with religious leaders both in Washington and around the country. The Secretary met most recently with Cardinal Bernardin in Chicago and spoke last week at the National Catholic Education Association. Secretary Riley has established his credibility with many of the participants in the coming school prayer debate, including leading religious conservatives. The Secretary, in coordination with the White House, recently supported a broad spectrum of religious groups that issued a statement on the extent to which current law actually permits student religious expression in our schools. The Secretary also supported another broad coalition of organizations that agreed to address school-religion issues in a spirit of decency and good will.

HUD and HHS are also actively involved in outreach to the religious community, particularly on matters related to housing programs and welfare reform.

We suggest that several options for Presidential action be considered promptly:

Presidential speeches: The President could give one or more speeches to address the role of religion and values in American life. These speeches could set forth the President's vision and broad themes. The Vice President, Secretary Riley and Attorney General Reno might make follow-up speeches on more specific topics.

White House Conference on Character Formation: Scheduled for May 19-20, this may be an attractive forum for Presidential discussion of values, community and religion.

Convene a meeting of religious leaders: The President could host an event to ask religious organizations to support a spirit of community and healing. The President might also reestablish a series of smaller breakfast meetings with religious leaders.

Executive Order: The President could develop an executive order that enhances, for example, agency enforcement of the Religious Freedom Restoration Act and the Equal Access Act (concerning religious activities at schools).

Legislation: Develop a legislative strategy. The President might develop legislation to clarify religious rights in certain settings.

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Abroad at Home

ANTHONY LEWIS

Friends of Fraud?

Of all the bills making their way through this Congress, the most devastating to its area of the law may be one that has had relatively little attention: legislation to weaken the protection of the public against securities fraud.

The House passed a bill in March. Now the Senate Banking Committee is working on its version. To judge how devastating the legislation would be, consider what it would have done to some of the most notorious recent fraud cases.

In the 1980's, Prudential Securities brokers lured customers to invest in risky securities with deliberately false statements about how much they would make. The defrauded investors and the Securities and Exchange Commission sued Prudential Securities, and in the S.E.C. case alone the firm agreed to repay more than \$700 million to the victims.

The victims would probably have been unable to sue if one section of the current House bill had been law. Known as the "safe harbor" provision, it immunizes from suits by the defrauded all "forward-looking statements" about securities. Companies and their agents could make false "projections" and "estimates" of future performance, even if they were deliberate lies, without fear of lawsuits by those defrauded.

The chairman of the S.E.C., Arthur Levitt Jr., is concerned about the "safe harbor" provision. He has just written to the Senate committee urging it not thus to protect "purposefully fraudulent" financial predictions.

That is not the only part of the pending legislation that would make

Congress vs. the investor.

it difficult — perhaps impossible — for victims of fraud to sue. Another is a provision of the House bill requiring anyone who brings a securities fraud suit to show at once, when he or she sues, the state of mind of the defendant indicating fraudulent intent. That kind of information is usually found only during the discovery phase of a case.

For example, two months ago shareholders in Koger Properties Inc. won an \$81.3 million judgment in a fraud suit against its accounting firm, Deloitte & Touche. During pretrial discovery, the plaintiffs' lawyers found that the partner in charge of the audit owned stock in Koger, a violation of accounting standards. They could not have known that when they sued.

Still another provision of the House bill, and the Senate's as it stands, would limit what is called "joint and several liability." That allows the victims of fraud to recover from others involved if the principal fraud perpetrator is not able to pay.

Last month, for example, Steven Hoffenberg of Towers Financial Corporation pleaded guilty to securities fraud and criminal conspiracy in a Ponzi scheme that cost investors \$460 million. He said his accountants and lawyers helped carry out the

fraud by issuing false financial statements and making misleading statements to the S.E.C. Towers is bankrupt, so the victims are suing the lawyers and accountants.

Some of the worst scams in recent history would have left the defrauded investors with little or no recourse if the "joint and several liability" limit had been in effect. The victims of Charles Keating, the great savings and loan swindler, would have been out of luck when he went to prison and said he was broke.

The legislation sounds highly specialized, and it is. But it would have widespread effects on real people. In addition to individual investors who have been defrauded, many local governments have lost large sums in recent years and are suing brokerage firms and others. The big example is Orange County, California, which lost more than \$1 billion, but there are dozens more.

It is a peculiar time to weaken legal protections: a time of spectacular financial frauds. The latest involves the Foundation for New Era Philanthropy, whose scam attracted many charities and such investors as Laurance S. Rockefeller and William E. Simon. New Era collapsed last week, and the S.E.C. charged its founder with "massive" securities fraud.

But this Congress evidently does not care a lot about the victims of fraud. It is listening to the lobbyists for accounting firms and insurance companies, whose political action committees have made large campaign contributions, and others who want to operate without fear of being sued for securities fraud. □

Limit on Investors' Suits Is Moving Ahead

By KEITH BRADSHAW

WASHINGTON, May 21 — Senate Republicans are preparing legislation to limit investor lawsuits against companies whose forecasts of their financial prospects prove inaccurate, despite a warning from the chairman of the Securities and Exchange Commission that such a move could make it easier for swindlers to engage in huge frauds.

The House has already approved broad protection for companies, and support has slowly been growing in the Senate for similar legislation. Staff lawyers for key senators worked on the details of the bill in several meetings on Capitol Hill today, but did not reach a compromise and prepared to meet again on Monday morning.

Several Congressional aides said there was a chance that a deal might be reached on Monday and that the Senate Banking Committee would take up the legislation on Thursday and quickly approve it.

Arthur Levitt Jr., the Clinton appointee who is the chairman of the Securities and Exchange Commission, sent a letter on Friday to Senator Alfonse M. D'Amato, the chairman of the Banking Committee, warning against broad limits. If the House wording is chosen for the Senate bill, Mr. Levitt wrote, it "would, for example, protect companies and individuals from private lawsuits even where the information was purposefully fraudulent."

Mr. Levitt said he could accept legislation that imposed less stringent limits on lawsuits than the House bill, but he urged the Senate Banking Committee to let his agency finish drafting new regulations, rather than enacting new restrictions into law. Congressional aides were skeptical that the committee would agree to give him such power.

Many companies, particularly in the electronics industry, have been pushing for limits on lawsuits by investors. They contend that too many investors are suing companies when their stocks plunge in value after sales or profit figures do not meet the optimistic forecasts of company executives. The investor lawsuits charge that the company used the forecasts to mislead investors into buying stock.

"Too often the suits brought against firms that are facing normal fluctuations in their stock prices are frivolous suits that are aimed more at compensating lawyers than at legitimate stock issues," said Jerry Jasinowski, the president of the National Association of Manufacturers.

Current law provides companies with limited protection from investor lawsuits for business and financial forecasts, like prospectuses, that are filed with the S.E.C. But to qualify for this so-called safe harbor from lawsuits, the forecasts must be made in good faith and with a reasonable basis to believe that they

might come true.

The House legislation, and at least one draft of the bills now under consideration in the Senate Banking committee, would drastically expand the safe harbor to include written forecasts not filed with the S.E.C. and oral statements made to investors. These proposals would omit the requirement that forecasts be made in good faith or with a reasonable basis for thinking they are true. But companies would be required to in-

Some warn the G.O.P. bill would protect people engaging in fraud.

clude a disclaimer in their written forecasts that events might not turn out as predicted.

State regulators have been very critical of this broadening of the law. "That's not a safe harbor, that's a safe ocean," said Mark J. Griffin, the director of the Utah Securities Division.

The House bill would also protect brokers from lawsuits, limiting their liability for inaccurate oral statements as well as written statements.

The legal protection for brokers' oral statements would, Mr. Griffin

said, "shield a lot of fraud in my opinion on the part of people out selling securities, because they take a great deal of license beyond what is written."

Federal and state regulators, along with the lawyers who file investor lawsuits, have contended that the litigation performs a necessary check on the tendency of companies to inflate their potential in public statements.

In his letter, Mr. Levitt wrote, "We have neither the resources nor the desire to replace private plaintiffs in policing fraud; it makes more sense to let private forces continue to play a key role in deterrence than to vastly expand the commission's role."

Senator Phil Gramm, the Texas Republican who heads the Banking Committee's panel on securities issues, has led the effort to provide broad protections for companies from investor lawsuits. He contends that market forces should be allowed to prevail, with investors being expected to avoid companies that provide poor information instead of suing them.

Senate Democrats have been divided on the issue. Some have sympathized with industries that face many lawsuits, while others have worried that investors, particularly the elderly, may suffer if the legislation passes. Senator D'Amato has avoided sponsoring any bill on the issue, and has been trying to broker a compromise.

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THE PRESIDENT HAS SEEN 5/22

When AIDS Testing Collides With Confidentiality

IN an announcement that stunned Washington, the Clinton Administration last week suspended a seven-year program to test newborns anonymously for the AIDS virus. The move, which thwarted legislation to open the test results to mothers, was made by top Administration officials in Washington despite some disagreement at the Centers for Disease Control and Prevention in Atlanta and it even surprised those who support it.

Somehow, skeptics saw the never-subtle signs of politics at work, especially since the testing program had been at the center of a furious battle between those who favor telling mothers the test results so that infants can be treated and those who argue that mandatory testing would stigmatize women and scare many away from health care.

Donna E. Shalala, Secretary of Health and Human Services, says the decision was not political at all. "There really are profound ethical questions involved," she said in a telephone interview this week. "Sometimes you do something for one purpose and it has unintended consequences."

In this case, the Government found itself in possession of sensitive information about thousands of Americans. It knew that 7,000 of the 2.5 million babies tested every year showed evidence of infection by H.I.V., the virus that causes AIDS, in their blood. But their mothers did not know because the tests were "blind." Some critics even drew parallels to the infamous Tuskegee experiments, in which the United States Public Health Service denied treatment for syphilis to more than 400 black men, to study the effects of the disease.

WE thought there was a serious question about collecting information about which we didn't inform parents," said Ms. Shalala. There would seem to be a simple solution: inform the parents, as Repre-

sentative Gary Ackerman of Queens proposed in the bill he now has to rewrite, as is already done routinely for a number of diseases, ranging from syphilis to sickle cell anemia.

Nothing involving AIDS is that simple, however. Approximately 75 percent of the infants who test positive do not have the virus that causes AIDS; they temporarily carry their mother's antibodies. But every mother whose baby tests positive is infected with the virus. Which means that testing the baby is really testing the mother, and this is where politics and policy intersect.

"That's the horror of the way we treat AIDS in this country," said Assemblywoman Nettie

There would seem to be a simple solution: inform the parents. But nothing involving AIDS is simple.

Mayersohn of Queens, who has been pushing a mandatory testing and notification bill for New York State for three years. "You can't tamper with confidentiality laws because there is such strong opposition from AIDS activists." The testing in New York, part of the Federal program, will continue with state funds for now, so her bill is still viable. But while it has support from Gov. George E. Pataki and the State Senate, and the Assemblywoman says it has enough votes to pass in the Assembly, it is still bottled up in committee. Only the Speaker, Sheldon Silver, can free it. And Mr. Silver, subject to the same lobbying pressures so strong in Washington, isn't talking.

OPPONENTS to mandatory testing and notification include some of the most powerful lobbies in the country — advocates for people with AIDS, gay groups, civil libertarians and women and abortion rights proponents. They contend that mandatory testing programs would violate a woman's right to confidentiality, and would discourage many from seeking medical care. Most instead favor mandatory counseling for pregnant women, aimed at persuading them to take a voluntary AIDS test. "This population is so frightened you may scare people away," said Ms. Shalala.

So far, though, counseling has only rarely proven effective, and the evidence that mandatory testing drives women away from health care is ambiguous. Medical professionals are on both sides of that question, but all seem to agree on one point: that prenatal care is crucial because new studies suggest that taking the drug AZT during pregnancy and in delivery can sharply reduce the transmission of H.I.V. from a mother to her baby.

But what about the women who do not seek prenatal care?

In those cases, doctors can prolong the lives of infants born with the virus — if they know the child is infected. Moreover, the many infants who test positive but are not infected can still contract the virus from their mother's milk. If a mother knows in time that she has the virus, she can avoid breast-feeding.

Ms. Shalala, glossing over some of the finer points of the debate, says her objective is to see to it that all pregnant women in the country get prenatal care and testing, and every bit of information available about their babies. "Why would we withhold information from a mother?" the Secretary asks. "We should tell them." But, under the policy now in effect, only if they want to know.

Colbert I. King

A Royal Mess

They are laughing at us again around the world. This time they're chuckling about the District-owned posh white elephant called One Judiciary Square, which houses Mayor Marion Barry, his wife and a number of other city officials. It seems the city's number one office building ran out of toilet paper this week, leaving it up to some employees to bring their own rolls to work.

That witless bit of inefficiency made the international television news. But what has been happening to this once proud city, especially in the past several weeks, is no laughing matter. It is an unmitigated disgrace.

The District has serious money woes. But it's not the city's financial problems that bring shame upon this town. Other jurisdictions have been cash-strapped too. It is the behavior of some of our leaders who can't seem to distinguish between pressing priorities and their picayune interests, or to recognize buffoonery in themselves when it masquerades as class.

While Barry was overseas lapping up his treatment "as a head of state, not as mayor of a local city" (to hear accompanying D.C. Secretary Marianne Niles tell it), this "local city" he left behind was literally going to the dogs, birds and rats. Barry's red-carpet treatment abroad was nothing compared to the field day that vermin at home were having. In his absence, rodents acted as royalty rummaging at will through piled-up trash and garbage left in alleys and on streets, courtesy of the local government.

Now city-installed trash cans downtown are overflowing. And the city's solution? Pick up the

trash? Nah! Instead, take away some of the cans, so they don't have to be emptied.

The problems of filthy streets, uncollected dead animals, or abused and neglected children forced to sleep overnight in public waiting rooms, of disgruntled and demoralized cops who won't answer their pagers, aren't the staple of well-run cities. Mayors who regard themselves as public servants and not potentates wouldn't stand for such nonsense. Neither would the voters.

But this is Marion Barry's town. Rather than nag him with these mundane matters, his coterie of supporters and sycophants believes residents and the press should stop behaving as ingrates and consider themselves blessed to have at the helm someone of Barry's "quality and stature" (Niles's words again).

Of course, it's understandable that the Secretary of the District might view her boss that way. As a mayoral candidate, Barry told The Post last June 30 that the D.C. Secretary's office is one he would abolish, if elected. "They keep the District seal. They do things that, if they went out of business tomorrow morning you and I wouldn't miss 'em," he said. "My chief of staff," added Mr. Barry, "could be secretary." Well, Mayor Barry has a chief of staff—Barry Campbell—and a D.C. Secretary, too—Mrs. Niles. And he is still having it both ways.

From where Barry sits, things may be looking up in the District. But for citizens stuck with a broke city with unsightly streets, and a government once again made to look like an international laughing-stock, the whole thing is a growing embarrassment.

If the public health threat weren't serious enough, now there is cause for concern about public safety.

Crime is creeping up in the nation's capital, and not because the bad guys are necessarily getting better at what they do.

Compared with the April 1-May 15 period of a year ago, arrests made by Metropolitan police reportedly are down more than 30 percent. Crooks, however, haven't taken a holiday. Overall crime numbers are up by 7 percent since the year began, with robberies and auto thefts leading the pack by a whopping 17 and 32 percent respectively. The downturn in arrests, according to prosecutors, coincides with the loss of police overtime and city hall's cutting of the cops' pay. Police Chief Fred Thomas says arrests are down somewhat on a calendar basis and have been trending that way for some time, but he believes a longer time frame is needed before drawing any conclusions about trends for this year.

More ominously, however, Thomas points to the loss of 260 sworn officers since last October and 669 in the past 18 months. "When we have fewer officers on the street, we have fewer arrests," the chief said yesterday. Mayor Barry, however, will have none of that. He treats the police as if they aren't law enforcement officers doing a dangerous job but as if they are part of the United Way: Cops must give their fair share, Barry says.

Now Thomas is worried about going into a hot summer with an understaffed police force, no money for overtime and no ability to deploy officers in sufficient strength to handle unexpected problems.

With a bodyguard contingent of a dozen or so

officers, and a security fence, cameras, and guard house surrounding his home, Mayor Barry might be tempted to ask, "Crime, what crime?" But it's out there on the streets. "Candy stores," or open-air drug markets, are getting in gear for the summer trade, and the word is out that police no longer are aggressively doing their jobs. Worse still, some are flocking to other jurisdictions for jobs, particularly the younger, energetic officers who go the extra mile and make most of the arrests.

Detective J. C. Stamps, chairman of the Fraternal Order of Police's labor committee, has a theory about why Barry and the cops can't get along. "He's had a personal vendetta against us since his [Vista Hotel drug] arrest," Stamps said yesterday. Stamps, who refused to endorse Barry, says candidate Barry "lied" to police when he told a group of supporters called Cops for Barry that he would protect them. Now morale is at rock-bottom, he says, and without his officers being "made whole," the crime upswing is likely to continue.

An unclean city, a budget crisis and turned-off cops. None of this bodes well. All the city's problems are not of equal consequence. Public health and public safety are basic services a city must provide. The last thing this city needs is a leader caught up only in himself, his royal pretensions and his own interests. They could end up putting him and the city beyond the help of a financial control board.

The writer is a member of the editorial page staff.

Colman McCarthy

Fear Comes With The Job

On a visit to New York City awhile back, Peter Mangan, a 22-year veteran of the District of Columbia police force, saw a panhandler hassling a pedestrian on a midtown street. The verbal abuse—loud and offensive—was well over the line, Mangan thought. Although not in uniform and only out for a stroll with his sister and other relatives, he showed the panhandler his police badge and said, lay off.

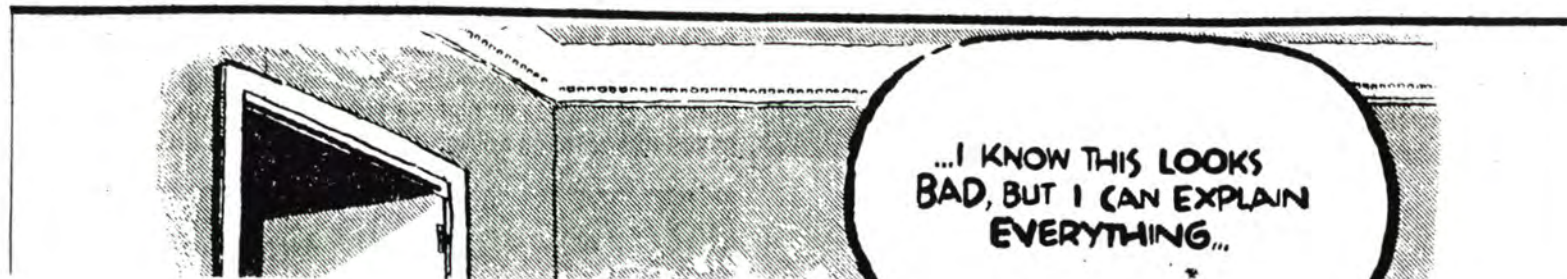
For his trouble, Mangan was cursed. Then, on leaving the scene, he had to deal with his sister's questions: Why'd you interfere, you're not on duty and you're even in a different city.

"All I could tell my sister," Mangan recalls, "is what she already knew: I'm a cop, you're never really off-duty and police work is full time."

It's also diverse. After 22 years of service in Washington—in duties ranging from the tensions of patrolling drug zones to the risks and unpredictability of his work since 1984 as a hostage negotiator on the emergency response team—Mangan plans to leave the force. He expects to sign on with a federal law enforcement agency—a mid-career shift and a new employer but

Nat Hentoff

Another 'Tuskegee'?



After winning a Pulitzer Prize for commentary this year, Jim Dwyer of Newsday was being interviewed on the New York affiliate of National Public Radio. The host, Brian Lehrer, was puzzled—indeed disturbed—that part of Dwyer's prize was due to a series of columns exposing the fact that although New York State—like 44 others—has been testing all newborns for various conditions, it does not disclose an infant's HIV status to either the mother or her doctor. It is a "blind" test.

Dwyer considers this failure to inform—with subsequent illnesses and early death for thousands of children who could have been treated—outrageous. The interviewer, however, said to Dwyer: "You're considered a liberal columnist, but on the HIV-testing of infants, you took the conservative position."

Such presumably liberal organizations as the ACLU, the National Organization for Women and the Gay Men's Health Crisis do indignantly oppose the unblinding of the test as an invasion of the privacy of the mother whose own infection will be revealed if the child's is. Therefore, all privacy is somehow endangered.

Yet, Rep. Gary Ackerman (D-N.Y.)—with a 100 percent ACLU rating—introduced a bill, "The Newborn Infant HIV Notification Act," that compels any state requiring infants' HIV tests to disclose the results to the mother. The bill would apply to the anonymous tests that have been funded and conducted in 45 states by the Centers for Disease Control since 1988, for epidemiological reasons.

Ackerman already had 220 co-sponsors—more than half the House—and the ideological range is extraordinary. Ardent liberal Pat Schroeder (D-Colo.) is allied with Robert Dornan (R-Calif.) who

SWEET LAND OF LIBERTY

makes Pat Buchanan sound like a lyrical moderate. Also on board is Nita Lowey (D-N.Y.), a leader of pro-choice issues in the House, and Bill McCollum (R-Fla.) whose ACLU rating has been zero.

As the bill began to gather momentum, Ackerman was visited, he told me, by Dr. David Satcher, head of the CDC, and Patricia Fleming, the White House director of AIDS policy. The visitors wanted Ackerman to abandon his bill. One of their arguments was that if mothers are told they and their children are infected, they will panic and leave the health care system. There is abundant evidence, however, that black and Latina mothers—who tend to be often, but hardly exclusively, at risk—care as much about their children as do white mothers and would not remove them from treatment.

Indeed, a recent poll by New York's Hispanic

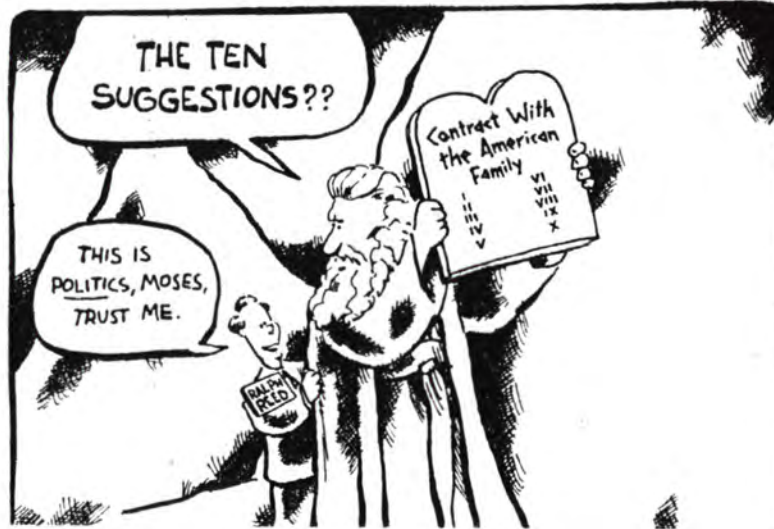


BY OHMAN FOR THE OREGONIAN

Drawing Board



BY SIGNE FOR THE PHILADELPHIA DAILY NEWS



reer shift and a new employer but still the vocation of public safety.

Mangan could offer ample reasons for leaving the District's police force: a 12 percent pay cut has been imposed, morale is low and revelations of departmental corruption last year still hurt. But he mentions none of those: "I love my badge and the people I work with. It's just that I can't jump fences with the young guys anymore. At 48, it's time to go."

Mangan is worth knowing because in the congressional debate about crime bills, in which anecdotes and piping up are often as reflective as it gets, the least heard are the ones closest to the violence and the ones most pressured to contain it: the police. Mangan, whose grandfather was a New York City cop for 31 years, graduated from Belmont Abbey College in North Carolina in 1968 with a political science degree. He and his wife have two girls—ages 10 and 4—with the oldest in a Catholic school.

The other reason to honor and appreciate Mangan is that he and the nation's 675,000 local, state and federal police officers are working at a time of unprecedented violence. In 1994, 157 police men and women were killed, the highest number in five years. On May 13 at a candlelight ceremony at the National Law Enforcement Officers Memorial at Judiciary Square in downtown Washington, the engraved names of 298 slain officers were dedicated.

In addition to the death toll, two other measurements reveal that anti-police violence is at record levels: One out of nine officers is assaulted annually, one out of 25 is injured. Although the number of fatalities is down in the 1990s, compared with an average of 218 deaths a year in the 1970s, the reason is not less violence but better protection. Bulletproof vests are now worn by almost every police officer in contact with the public. More than 150 lives were saved last year by vests.

Another reason for fewer police deaths than in the 1970s is that emergency room nurses and doctors are seeing so many bullet wounds that their lifesaving medical skills have naturally sharpened.

Peter Mangan has seen...

Indeed, a recent poll by New York's Hispanic Federation—an umbrella organization of many Latino groups—revealed that two-thirds of those polled support mandatory HIV testing and disclosure for everyone, not only infants.

Gary Ackerman refused to withdraw his bill. He told me that the head of the CDC said he might then consider withdrawing the "blind" tests altogether rather than disclose the results.

Earlier, when the conversation was focusing on increasing criticism—from various quarters—of the CDC's "blind test," Ackerman felt that the man from the CDC appeared to be most troubled by the analogy between its study and the Tuskegee "experiment."

From 1932 to 1972, some 400 illiterate black men with syphilis were observed—but not treated—by Public Health Service physicians as they deteriorated and eventually died, having been told only that they had "bad blood."

The Tuskegee reference entered the HIV-infant test debate through Dr. Arthur Ammann, a distinguished professor of pediatrics at the University of California. In Jim Dwyer's column, Ammann, referring to the CDC's anonymous testing of infants for HIV, said: "The maintenance of anonymous test results at a time when treatment and prevention are readily available will be recorded in history as analogous to the Tuskegee 'experiment.'"

Suddenly, on May 10, the CDC announced it was immediately suspending its HIV testing for newborns throughout the country. Instead it would focus on encouraging women to engage in voluntary HIV-testing during and before pregnancy. (CDC was silent on the fate of the sizable number of women who do not appear for any prenatal treatment or counseling.)

Rep. Ackerman intends to get a majority of Congress to mandate that the CDC resume the tests—and from now on disclose the results as well as arrange for counseling. Meanwhile, the American Academy of Pediatrics is "shocked and dismayed" at CDC's total abandonment of its epidemiological tracking tests. Those were the first to show the extent of AIDS among women.

The CDC could have continued the tracking, added disclosure of results, and been free of the taint of the Tuskegee "experiment." But instead the politicized CDC has chosen to fold—extricating itself from accountability.

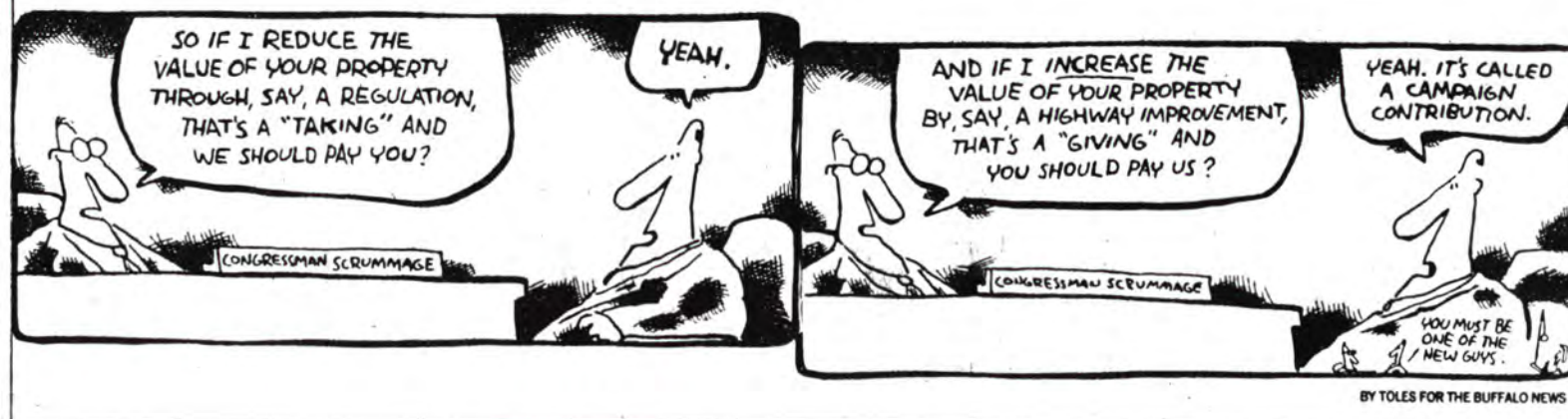


BY TOLES FOR THE BUFFALO NEWS



BY JIM BORGMAN FOR THE CINCINNATI ENQUIRER

"HAVEN'T I SUFFERED ENOUGH?"



BY TOLES FOR THE BUFFALO NEWS

Peter Mangan has seen—and survived—his share of violence. He's been shot at. People have died in his arms. A colleague he helped persuade to join the D.C. police force lost his life through drowning after trying to save a suicidal woman who jumped into the Potomac River.

"This job can wear on you emotionally," Mangan says. "We live with fear. Cops learn how to mask their emotions. Some take refuge in cynicism, but the goal is to move beyond that."

Mangan, of Irish background, counters the bleak side of his work with a storyteller's talents, with one tale reminding him of another. He recalls the times he has phoned people to whom he gave traffic tickets to say that he could have performed better when pulling them over. Of giving tickets to speeders and red-light runners these days, he says: "I try to treat 'em as I'd want my father or mother to be treated."

That manner of grace and civility ought to be reciprocated, to all police. What's to be lost by offering a word of appreciation to the next cop you meet? What's gained by seeing the police negatively, as if the corruption or brutality of a rare few (or the crude, drunken behavior of one bunch of them in some Washington hotels this week) applies to all of them?

Funerals for cops shouldn't be the only occasion on which communities praise their police. To express gratitude to police officers—even with so passing a gesture as a kind or gracious word—is also a way, however small, of taking a stand against crime. It's a message of support to those taking the most hits.

THE WHITE HOUSE

F41 -

See p. 10 - This
group is unbelievable.

They spread the
message because
they believe in you.

Thank God for the
California faithful -

J —

THE PRESIDENT HAS SEEN

TO Helen / Doug 5.22.95

We need more of
this —

BK

TREND WATCH

NEWS AND ISSUES IN SOCIALLY RESPONSIBLE BUSINESS

GREENWASH AWARDS p. 11 / CYBERETHICS p. 12 / AUDIT TROUBLES p. 14 / WAL-MART SNUFFS ITS CIGARETTES p. 16

ADVERTISING BOYCOTT

Don't Like Rush? Tell His Advertisers

A DEMOCRATIC CLUB in Northern California has adopted tactics previously favored by ultra-right religious groups: If you don't like what you see on TV, boycott the advertisers and let them know why.

In this case, what the Clinton/Gore supporters oppose is the **Rush Limbaugh** radio and television shows. "We wanted to broadcast which companies were supporting this type of hate-mongering," says Liz McDavit, president of the three hundred-member **Silicon Valley Democratic Club** in San Jose, California. For example, McDavit points to Limbaugh's offensive reference to women who care about equal rights as "feminazis," and his reference to Asians and blacks as "second-class citizens."

The group's first target was advertiser **Snapple Beverage Company** of Valley Stream, New York, a division of **Quaker Oats Company** of Chicago. When McDavit's group launched the campaign last summer, she received an initial response say-

ing the ads didn't mean Snapple supported Limbaugh's politics. Later, she received a letter stating that as of January 1, Snapple no longer was a Rush Limbaugh advertiser.

"Essentially it was a business decision," says Ron Bottrell, director of public relations for Quaker Oats. "Rush Limbaugh has a huge audience, and his (ad-

vertising) rates increased accordingly. We decided to direct our efforts toward regional radio advertising."

Nonetheless, McDavit claims Snapple's dropped ad schedule as a victory. Her daughter, a twenty-year-old student, acquired a full list of forty-three national advertisers, and club members are now actively distributing the list via mail, fax, and the Internet, encouraging recipients to boycott Rush Limbaugh advertisers. Targets include **Amtrak**, **Men's Wearhouse**, **Sports Illustrated**, **Marriott Corp.**, and **Kinko's**.

Says McDavit, "Our hope is that each of the companies on the list will receive at least a thousand letters by summer."

Meanwhile, **Pizza Hut Inc.** of Kansas City has received hundreds of calls and letters from customers upset by its recent ads featuring Limbaugh. "We tell them we can't please everyone, and appreciate their comments," says company spokesman Chris Romoser. —M.S.



JEERS

To insurance companies "churn," or convince policyholders to cash in a policy which they say provides benefits, but doesn't. A New England law firm filed a \$500 million suit against **Prudential Insurance of America**.

CHEERS

To **Monsanto Co.** of St. Louis for challenging chemists' question: How can we get ammonia from our waste? Last month, it picked up a \$500 million award from the **International of Mechanical Engineers** in California. SRI will receive \$10 million from Monsanto to help recover the thirty-six million pounds of ammonia that is thrown away with Monsanto's waste.

RECRUITING

Fat Paychecks and Social Responsibility

MANAGEMENT consultants and manufacturing companies have gone a step further this year in hiring the best and brightest MBA graduates. In addition to the sky-high salaries, signing bonuses, back tuition reimbursements, and executive-style perks, there's the new bait of telling recruits, "we're corporate good guys."

For example, **IBM**, **Ford Motor Co.**, **General Motors Corp.**, **Chrysler Corp.**, **Microsoft Corp.**, and other companies are now including in their infor-

mation packets brochures detailing their philanthropic and environmental gestures, according to Dan Nagy, director of career services and placement at the **Fuqua School of Business** at **Duke University**.

"Today's students are far more discerning as they evaluate



potential employers," says Nagy, who tracks the attitudes of graduating MBAs from eleven "elite" schools.

The manufacturers need all the enticements they can to compete with the increasingly plush packages management consulting firms offer. Nagy says more than

one-third of the 1995 graduates from schools such as Harvard, Wharton, and Stanford went to such premier consulting firms as **McKenzie**, **Boston Consulting Group**, and **Booz, Allen & Hamilton Inc.**

"Businesses increasing outside firms to help them do that magic formula to make themselves successful," says Nagy. The consulting companies then recruit the freshest crop of MBAs to do what is often considered the most interesting yet very demanding work.

TREND WATCH IS COMPILED BY
SUSAN GAINES, LYNN KEILLOR, DALE KURSCHNER, AND MARY SCOTT.

Essay

WILLIAM SAFIRE

China's 'Four Fears'

WASHINGTON

The television series soaring in popularity in China is about the exploits of Bao Qingtian, a magistrate of the Song Dynasty.

This legendary judge of a thousand years ago is shown dispensing even-handed justice, punishing wrongdoers and exposing lawless government officials. The TV series is produced in Taiwan but can be seen in mainland China because it seems to be politically noncontroversial.

What makes the show such a hit, however, is its implicit criticism of corruption on high. Such kickback economics is rampant in China today, making millionaires out of relatives of Communist leaders, Deng Xiaoping's son famously included.

That is one tea leaf in the reading of the rising tide of popular resentment in the world's most populous nation. China today is showing all the signs of being on the brink of a major upheaval.

On the eve of the sixth anniversary of the repression of freedom in Beijing's Tiananmen Square, longtime dissidents are being rounded up; scholarly signers of petitions for reform are being harassed and jailed; designated "troublemakers" from all over China are being denied entry to the capital.

As Deng Xiaoping prepares to "meet Marx," the sclerotic regime he leaves behind — embracing the dangerous excesses of capitalism without its saving freedoms — is left to face the "four fears."

First is the average Chinese consumer's fear of being robbed by inflation, now over 20 percent — which means that half of what he saves disappears after four years. The economic chief, Zhu Rongji, once a reformist who Richard Nixon thought might become the savior of China, has reverted to regulation, central control and protection of state-owned defense monoliths.

Second is the workers' fear of growing underemployment — communism's dirty secret — especially away from the prosperous coast. Inland workers are migrating eastward, overcrowding cities and driving down wages, worsening inflation's impact.

Third is fear of the anger of farmers, their land encroached on by industrialization, who now prefer to sell to local entities and black markets than to Beijing's state purchasers. As in pre-revolutionary days, food shortages loom.

Finally, there is the well-founded

fear in Beijing of some expression of the people's disgust at pervasive corruption. That explains not just the popularity of a Song Dynasty Perry Mason, but the willingness of Deng's hand-picked successor to crack down on a ring of grafters in Beijing's city government who make Tammany's Boss Tweed look like an innocent.

In the sincere syntax of Sinology, President Jiang Zemin's arrest of

Signs of upheaval ahead.

the head of the Communist Party in Beijing — a sleaze who was promoted to the Politburo for his brutality in crushing the Tiananmen demonstration — is perceived as a way for the transitional Jiang to gently dissociate himself from Deng's increasingly hated hard-liners.

Too many of us fall for subtle interpretations of maneuvering inside the Forbidden City as if it were comparable to jockeying for leadership within our Republican Party.

Forget that inside Ping-Pong, because the stakes are of a different magnitude: The after-Deng convulsion will determine whether a billion-plus people will progress toward democratic stability — or regress to the rigid totalitarianism that would lead to civil war within a nuclear power.

That's why we should be more actively on the side of the dissident scholars and students, publicizing their arrests, demanding their release, embarrassing their harassers.

That's why we should identify ourselves with courageous workers like the electrician Wei Jingsheng, jailed 15 years ago for wall posters protesting corruption, now held incommunicado lest his voice reach a new generation of workers. (A Nobel prize would help.)

That's why we should align ourselves with Asian decentralized democracy, protesting human rights abuses in Tibet; welcoming official visitors from Taiwan; using our market muscle to encourage freer enterprise.

The "four fears" may produce brittle dictators or leaders not fearful of freedom. We should know who to root for and be willing to use what influence we have. □

Don't read!
just read!
interesting

11*

CRP/MTale
Fyl - for: Jim Martin
BC

INTERIM FINAL

May 1, 1995

THE PRESIDENT HAS SEEN
 5-22-95

How to Restore a Bipartisan Presence for NGA: A Legislative Strategy of the Remainder of 1995

1. *Constantly highlight future (five years) unbearable cost problems for state government due to the aged, blind, and disabled (A-B-D) population of Medicaid.*

- The current and projected 8-10 percent annual cost increase for the A-B-D will not end with a federal spending cap—only shifted to states and other providers.
- It will consume most state discretionary funds for other priorities: education, highways, and crime control.
- It will consume funds that states will need for real welfare reform.
- This is a \$55 billion state cost item in fiscal 1996.
- Nothing else being discussed in Washington, D.C. equals the magnitude and impact of the A-B-D issue.

- Discuss this issue at the May Executive Committee meeting.
- Invite Senator Kassebaum to meet with the Governors at the NGA Annual Meeting or in May.

2. *Confirm NGA (Governors) participation in legislative issues that the congressional leadership supports and the President is now expected to sign, with NGA staff assignments for follow-up.*

• Paperwork Reduction	Governors Branstad/Voinovich	Governors Chiles/Nelson/ Dean/Glendening	Martin
• Line-Item Veto	Governor Thompson	Governors Dean/Bob Miller	Martin
• Risk Assessment	Governor Symington	Governor Nelson	Curtis
• Cost Analysis	Governor Symington	Governor Lowry	Curtis
• Product Liability	Governors Merrill/Edgar	Governors Caperton/Nelson	Masan
• Crime Bill	Governor Carlson	Governor Carnahan	Jones
• Telecommunications	Governors Branstad/Carlson	Governors Tucker/Cayetano	Kayne
• Fair Labor Standards Act	Governor Thompson	Governor Lowry	Martin
• Clean Water Act	Governors Symington/Ridge	Governor Nelson	Curtis
• Superfund	Governors Whitman/Engler		Thomasian
• Transportation (NHS \$)	Governors Thompson/ Schafer/Whitman/Merrill	Governors Bob Miller/Nelson/ Hunt	Masan
• Workforce Development	Governors Engler/Weld	Governor Hunt/Kitzhaber	Ganzglass
• Farm Bill	Governor Branstad	Governor Nelson	Curtis

We need Democratic Governors identified with these issues who will also participate in the bipartisan Rose Garden signing ceremonies. Very successful bipartisan efforts help NGA, as well as the White House.

- Get Governor Dean's active support to encourage Democratic Governors' participation.
- Line-up congressional and Administration speakers for NGA's positions to be at committee meetings in Burlington.
- Have an NGA lobbying meeting to organize gubernatorial support and follow-through on each item under #2.

- Contact Dem. Gov. to line-up good examples of your Performance Partnerships

FAXTHE PRESIDENT HAS SEEN
5-22-95

Date 05/22/95

Number of pages including cover sheet

TO: The President

Phone

Fax Phone

FROM: Carolyn Staley
Deputy Director
National Institute for
Literacy
800 Connecticut Ave. NW
Suite 200
Washington, DC 20006

Phone (202) 632-1526

Fax Phone (202) 632-1512

CC:

REMARKS: ☐ Urgent ☒ For your review ☐ Reply ASAP ☐ Please Comment

Dear Mr. President:

1. It was wonderful to see you Friday afternoon at the White House. Lonnie could not have been more pleased that you honored her. It was a great thing to do. On Saturday Sarah and I took her to the Torpedo Factory in Alexandria so she could see what we're thinking of for adaptive reuse of Hot Springs High School. Lonnie is willing to help. Jim French and I are at work with his brother David on this idea. The City Board likes it. Jim met us later for a visit.

2. Thanks for the support you indicated you'd be willing to give to literacy programs slated for rescission. The literacy programs to be cut in the final version are:

State Literacy Resource Centers	\$7,787 million
Workplace Literacy Programs	6,000
Literacy for Homeless	9,498
TOTAL	\$23,285 million

I hope you'll agree this small amount in the GOP's "downpayment on cutting the budget" is unacceptable because of the critical services it would cut to the most needy Americans.

Thank you SO much. You are a wonderful President and I'm very proud of you.

All best, Carolyn

Carolyn

SENT BY:

5-16-95 : 2:44PM : DEMOCRATIC CAUCUS-

94562511: # 2/ 2

VIC FAZIO
THIRD DISTRICT
CALIFORNIA

DEMOCRATIC CAUCUS--CHAIRMAN

DEMOCRATIC STEERING
COMMITTEE

HOUSE OVERSIGHT

APPROPRIATIONS COMMITTEE

SUBCOMMITTEE

ENERGY AND WATER DEVELOPMENT
LEGISLATIVE

Congress of the United States

House of Representatives

Washington, DC 20515-0503

THE PRESIDENT HAS SEEN
5-22-95

PLEASE RESPOND TO:

- ☐ 2113 RAYBURN BUILDING
WASHINGTON, DC 20511-0513
(202) 328-8718
- ☐ 7228 MAIN STREET
WOODLAND, CA 95665-3422
(916) 868-8821
- ☐ 332 PINE STREET, 8F
RED BLUFF, CA 96080-0912
(916) 528-8889

May 16, 1995

The Honorable ~~Ne~~wt Gingrich
Speaker
U.S. House of Representatives
Washington, DC 20515

*Copy
to
Mr. Speaker
for the office
of the
Speaker*

Dear Mr. Speaker:

I am writing to appeal to you to renounce Congressman Steve Stockman's recent article in the June issue of Guns and Ammunition. While Congressman Stockman was within his rights to make the inaccurate and inflammatory comments contained in the article, he has a higher responsibility as an elected leader in this country to refrain from doing so. In his article, he brings disrepute upon the Congress as a whole by acting as an agent of extremism. His comments are so beyond reason that you should feel compelled, as Speaker, to break this unusual silence you are maintaining about a Member of your Conference.

In the past, you have spoken with some eloquence and conviction about comments made by individuals that you found harmful and reckless. To you as much as anyone, words matter; they have consequences. And so how can you be silent in the face of suggestions by Steve Stockman that the tragedy of Waco was a premeditated act of murder on the part of Attorney General Janet Reno, born of an agreement between her and President Clinton?

Had Mr. Stockman's words been uttered on the Floor of the House of Representatives by Congressman Stockman they would have violated the rules and been taken down. We expect that the simple fact that they were published in a magazine, instead of the Congressional Record, will not stop you from doing what is right. Politics has been, and always will be, a rough business, but there is a qualitative difference between even strident political discourse and Mr. Stockman's extremist, uncivil, and inflammatory comments.

Sincerely,

VIC FAZIO

Minority officials say powers denied under racist tactics

1992 ruling bars intervention under Voting Rights Act of '65

First in a series

By Susan Feeney
and Steve McGonigle

Washington Bureau of The Dallas Morning News
© 1994, The Dallas Morning News

The Newton County, Miss., Board of Supervisors finally agreed to draw new district lines to help elect the first black member since Reconstruction. The same week, it voted to slash the incoming official's road budget.

Walter Gardner, the Mississippi civil rights leader who broke the all-white board's color line in 1991,

VOTING RIGHTS: THE NEXT GENERATION

A loss of authority

- Racial politics on school board. 26A
- Hurdles for commissioner. 26A

remarked, "You might say the predicament of black people has been worsened."

A generation after the Voting Rights Act of 1965 outlawed racist schemes to disenfranchise minorities, the officials those voters put into office are facing other tactics aimed at diminishing their authority.



Special to The Dallas Morning News: Associated Press

Walter Gardner, the first black supervisor since Reconstruction in Newton County, Miss., had his road budget slashed.

And because of a 1992 U.S. Supreme Court decision, minority officials have scant recourse. The high court declared that assaults on minority officeholders' powers Please see MINORITY on Page 26A.

To Mr. Linder

THE PRESIDENT HAS SEEN
5.22.95

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27A

VOTING RIGHTS: THE NEXT GENERATION

Ruling barring intervention debated

Continued from Page 26A.

to keep any other black person from being mayor."

Mr. Newman, now in the Virginia House of Delegates, unsuccessfully pushed measures in Lynchburg and Richmond to bar district council members from holding Lynchburg's largely ceremonial mayoral post.

"I'm very proud of the fact that I wanted (all) the people of Lynchburg to elect their mayor," Mr. Newman said. "It's a bit insulting" to answer questions about whether race was a factor, he said, adding, "Of course not."

Other customs, too, can disappear when minorities rise to power.

In Evergreen, Ala., — a city of 3,900 with a 42 percent black population — each of the five district council members traditionally named one person to certain city boards, such as the Board of Adjustment that oversees tax assessments.

But when Councilwoman Elizabeth Stephens had her turn to appoint a member to that board last year, the black candidate whom she backed was defeated, 3-2. The three white council members supported the brother of white councilman James King.

That effectively gave Mr. King two appointments, and Mrs. Stevens none.

In a twist, Dottie Maley, the white county clerk in Sinton, Texas, lost two employees and her duties as

voter registrar because she helped Hispanic officeholders fight abolition of their posts.

Mrs. Maley riled the white majority on the San Patricio County Commissioners Court in 1987 by seeking the required Justice Department approval of a plan to eliminate the jobs of two Hispanic justices of the peace. She later testified for the two judges in court.

The Justice Department blocked the plan — an action it could still take today because the jobs were being eliminated. But the commissioners' court gave Mrs. Maley's election duties to the county tax assessor.

She notified the Justice Department, and it stepped in — something it could not do today after the Presley decision. Although the department ruled in her favor, Mrs. Maley never got her powers back.

The Justice Department never followed up. And Mrs. Maley said she didn't want to file suit, even though in most Texas counties voting is handled by the county clerk.

"I just let it go," she said. "I'd have to do some fighting. It's just not worth it sometimes."

James Allison, an Austin attorney who represented the commissioners' court, denied that Mrs. Maley was a victim of retaliation.

Without the strong arm of the Justice Department, minority

officeholders whose powers are thwarted have limited options.

They can sue. But part of the reason for the Voting Rights Act, all sides agree, was to put the considerable legal and financial burden of proof on state and local governments, requiring them to show they are not discriminating.

James Dawson, a Huntsville, Ala., school board member and retired professor at Alabama A&M University, filed suit when he was denied access to job applications. After 2½ years and \$23,512 in legal fees, he won the right to see materials his white counterparts had seen all along.

For many that expensive option is out of reach.

In Lincoln County, Ga., for example, Rev. Freeman, her schoolteacher husband and their four children live modestly on \$25,000 a year and grow most of their own food.

When a lawsuit by Mrs. Gutierrez in Victoria, Texas, failed, she worked two years to elect more Hispanics to the school board.

Spiver Gordon, the first black on the Eutaw, Ala., City Council, found relief only after someone died.

Elected in 1984, Mr. Gordon was denied input into appointments to boards and commissions, as was customary. That changed a decade later, when the white mayor died and was replaced by another white elected

with black support.

Some backers of the Presley decision, including Samuel Issacharoff, a University of Texas law professor and voting rights specialist, contend that in time many of these racial power struggles will heal themselves.

But time is not the answer, said Mr. Rosenbaum, the Justice Department's Voting Section chief.

"Waiting them out hasn't served as an effective strategy in getting full voting rights for minority citizens in this country," he said. "And there's concern that that way wouldn't work when you're talking about changing the powers and duties of positions."

Said Ms. Guinier: "For those people for whom the status quo is kind, there is nothing but time."

VOTING RIGHTS: THE NEXT GENERATION

The first generation of the voting rights movement concerned minorities' access to the ballot box; the second saw the redrawing of political boundaries. In the third generation, voting rights advocates say, minority officeholders are battling attempts to curb their powers.

■ **SUNDAY:** A loss of authority

□ **MONDAY:** Threats, abuse, indignity

□ **TUESDAY:** A watchdog questioned

THE VOTING RIGHTS ACT AT A GLANCE

HISTORY

■ **The president:** On Aug. 6, 1965, President Lyndon B. Johnson signs the Voting Rights Act into law. The backdrop is police beatings and Ku Klux Klan murders of voting rights advocates near Selma, Ala.; the march by 25,000 from Selma to Montgomery; and the murder of three civil rights workers in Philadelphia, Miss., the previous summer.

During a nationally televised address from the U.S. Capitol rotunda, the president says the law would "strike away the last major shackle of those fierce and ancient bonds" on blacks. The signing takes place in the same room off the Senate chamber where exactly 104 years before, President Abraham Lincoln signed a bill freeing slaves who had been pressed into the service of the Confederacy.

■ **The Senate:** Had passed the bill, 77-19, on May 26, with opposing votes coming exclusively from the Deep South and Texas.

■ **The House:** Had voted for passage, 333-85, on July 9, with most of the opposing votes coming from the Deep South and Texas.

SOURCE: Dallas Morning News research

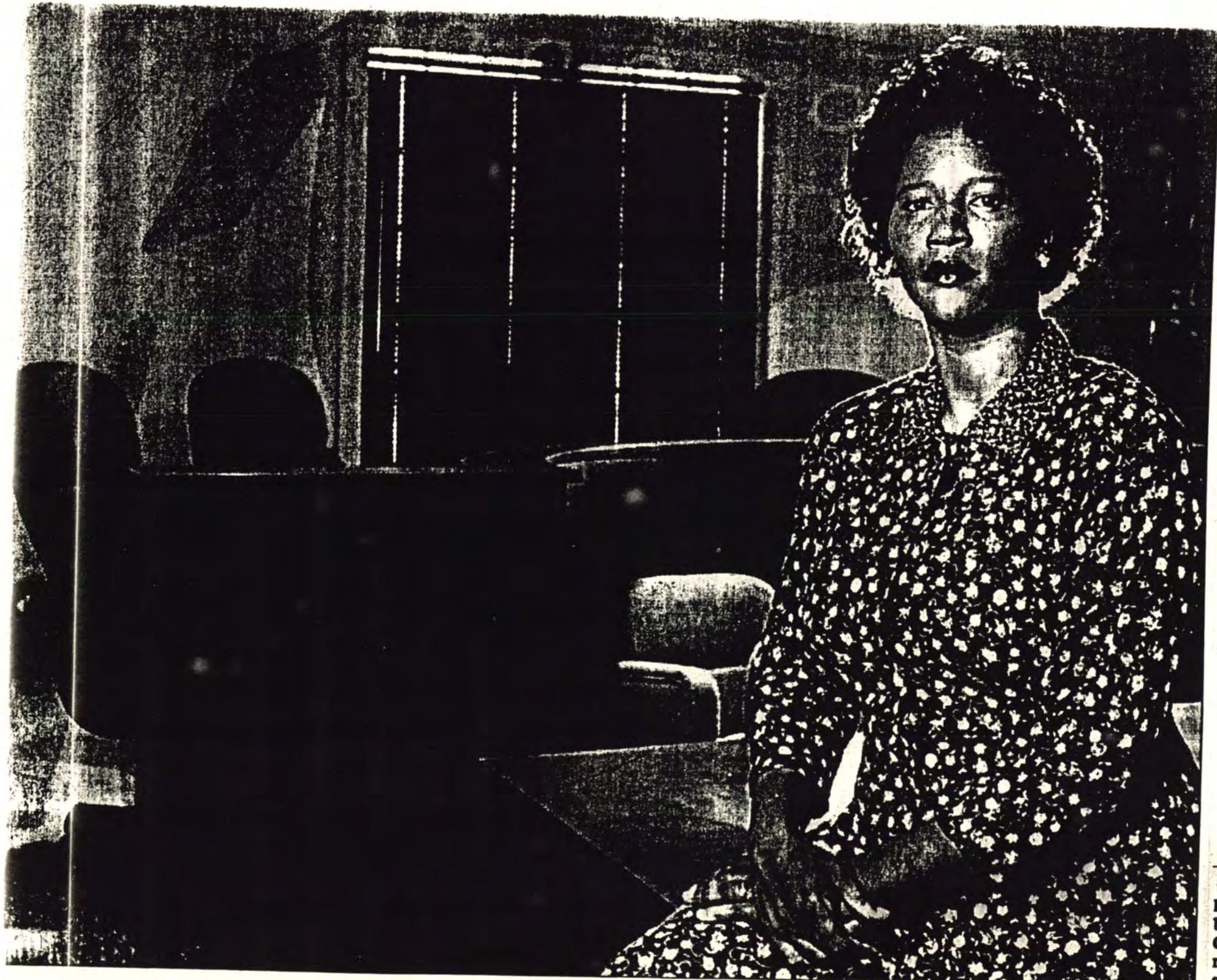
PROVISIONS

Intended to enforce the 15th Amendment right of black suffrage, the act abolished literacy tests, poll taxes and other bigoted devices to prevent minority voting. It provides for an increased federal policing role. Its key components are:

■ **Section 2** of the law, which applies nationwide, provides for government and private lawsuits to challenge dilutions of minority voting strength.

■ **Section 5**, which today applies to nine states, including much of the Deep South and Texas, and parts of seven others. It requires covered states and local governments to submit proposed voting changes to the Justice Department for "preclearance" to determine whether they would be discriminatory in purpose or effect.





Special to The Dallas Morning News: Associated Press

Denise Freeman, a school board member in Lincoln County, Ga., has battled for months to gain access to basic school information.

Hurdles impede only black on Alabama board

By Susan Feeney

Washington Bureau of The Dallas Morning News

TUSCUMBIA, Ala. — Emmitt Jimmar was grilling his colleagues at a recent Colbert County Commission meeting. He questioned each action — top to bottom, front and back, trying to make sure everything was done to the letter.

The only black on the commission, and the first ever, Mr. Jimmar saw the five white board members rolling their eyes.

"It doesn't bother me," the former high school science teacher said later. "I'm an advocate, an activist. I'm accustomed to what they do."

He has no gripe about being out-voted on policy. That's a given, he said. But Mr. Jimmar said that he can't abide by rule changes that thwart his power in his office.

Sometimes, however, he can't stop them.

The commission erected an extra hurdle for Mr. Jimmar's participation in meetings and eliminated his chief outlet for dissent, county records show. He is denied information available to other board members.

And under a 1992 U.S. Supreme Court decision, *Presley vs. Etowah County Commission*, the Justice Department can't help. A key enforcement section of the Voting Rights Act of 1965 does not apply to minority officials whose powers are diminished, the court said.

Elected in November 1988 after a lawsuit forced redistricting in a county that is 15 percent black, Mr. Jimmar, 55, spent time learning the ropes before pushing to change county policies. This apparently proved too much for the board.

At its Feb. 5, 1991, meeting, the commission voted after Mr. Jimmar left to require that all agenda items be submitted 10 days in advance of a meeting, except when a majority deems the matter an "emergency."

The rule hit Mr. Jimmar hardest. Other commissioners in the northwest Alabama county, voting as a bloc, routinely declare each other's actions "emergencies," minutes of commission meetings show. Not so for Mr. Jimmar.

Commissioner Thomas Pennington denies any discrimination. "I expect him to tell it just the way he sees it. But I'm gonna tell it just as I see it," Mr. Pennington said.

Mr. Jimmar blasted the new agenda rule in a Minority Report attached to the minutes of the Feb. 19 meeting. He called the move a conspiracy and "willful act" of bigotry.

On April 16, the board struck back, voting 5-1 over Mr. Jimmar's objections to abolish the Minority Report.

The longstanding forum was used by all commissioners — and increasingly Mr. Jimmar — to record objections to board actions.

Mr. Pennington said, "We had to cut out a lot of stuff that everybody was putting in the minutes."

Nonsense, said Mr. Jimmar. "These rules were instigated to gag me."

On another front, Mr. Jimmar has made repeated written requests to the county engineer for data on how much money is spent in each commissioner's district under the central road repair system.

He said that he's never received that information, but other supervisors clearly have.

"I've improved road(s) by spending \$1,121,512.67 from grants and county funds," Commissioner Jimmy Viall said in a campaign ad.

Mr. Jimmar has received racist telephone threats and had dead dogs left in his driveway. But he said he was surprised when his objections to a closed-door meeting of white board members brought an open threat from the chairman.

According to verbatim minutes



Emmitt Jimmar is the first black member on the Colbert County Commission in Alabama.

of the June 19, 1990, meeting, then-chairman Charles Thompson told Mr. Jimmar: "You need to sit down . . . behind the doors. Politics don't work at open meetings, Emmitt, you know that."

Mr. Thompson said, "if you don't work with them" — meaning other board members — "you ain't going to get nothing for your people."

Mr. Jimmar couldn't believe his ears. "If I don't work with who?"

"With this commission right here," Mr. Thompson replied.

"Why, you mean my black people?" Mr. Jimmar asked.

"Yes," said Mr. Thompson.

"I got some white people now," responded Mr. Jimmar, whose district is 67 percent black.

"I know you do," Mr. Thompson said.

"You mean, they ain't going to get nothing?" Mr. Jimmar asked again, for emphasis.

"I am saying," Mr. Thompson said, "how many things have you got approved by just bringing them up here and arguing with them?"

The irony, Mr. Jimmar said later, is that for his black constituents, "It would be better to elect a white person. They'd get more done for you."

Victoria school board member is bitter over battles with white-dominated panel

By Steve McGonigle
Washington Bureau of The Dallas Morning News

VICTORIA, Texas — Tears cascaded down her cheeks as Theresa Gutierrez recalled nine tumultuous years on the Victoria school board.

"I'm very bitter — like you wouldn't believe," she said through her sobs. "I can't believe we are six years from the 21st century, and we are essentially in a time warp."

She was referring to racial politics in this South Texas oil and ranching center that she blamed for slashing her powers. Of the 55,000 residents in the former Mexican settlement, 38 percent are Hispanic.

Mrs. Gutierrez, who was born here 47 years ago, is angry about the racial polarization. She is upset that those who disagree with her have branded her a troublemaker and tried to silence her.

For 2½ years, she was effectively barred from initiating public debate because of a white-dominated board's policy requiring two votes to place items on the agenda of meetings. As the only Hispanic member, she said, she was unable to get a second vote.

The policy was adopted over her lone objection after a series of board meetings where she and other Hispanic parents criticized a plan to close predominantly Hispanic schools to satisfy a desegregation order.

"They totally shut me out of the process," Mrs. Gutierrez said.

She claimed the change was racially motivated. The school board president at the time said it was aimed at her combative manner.

"It had nothing to do with racism at all," Johnny Wilson said.

With help from the Mexican American Legal Defense and Education Fund, she challenged the policy as a dilution of minority voting strength under the Voting Rights Act. A three-judge federal panel disagreed, and the Supreme Court refused to review the case in 1989.

The Justice Department advised the high court not to hear Mrs. Gutierrez's appeal, saying her situation was outside the law's scope.

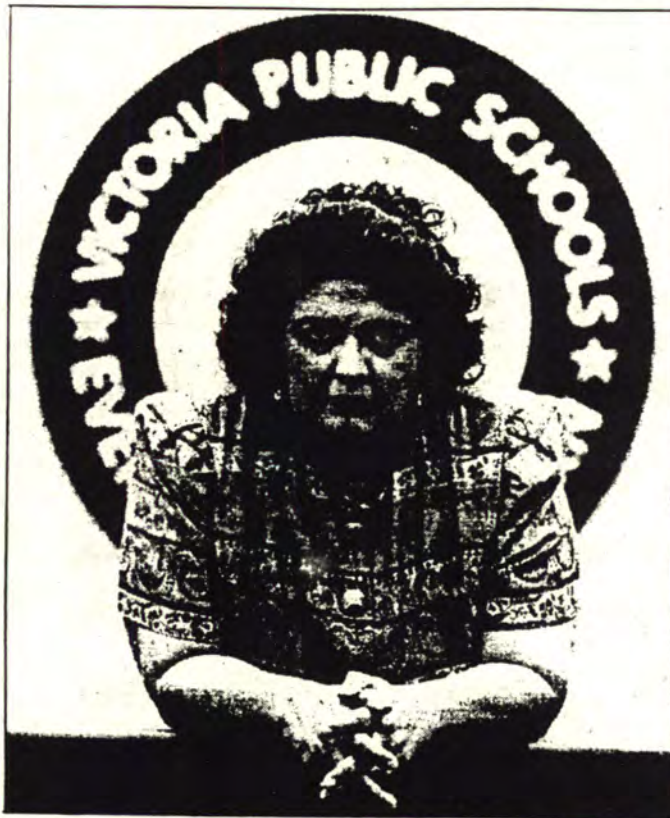
"The Voting Rights Act is a facade," she said.

It took the election of another Hispanic and a white that Mrs. Gutierrez recruited to repeal the policy that she said had put her in political limbo.

Last year, after eight years on the board, her colleagues elected Mrs. Gutierrez to the ceremonial office of president. In May, she won a fifth, two-year term on the board by the slender margin of 13 votes.

She ran for the school board in 1985 because she was dissatisfied with the education her six children were receiving as well as the board's hostility toward Hispanic parents.

"It's a big mission I have for the children is why I do these things," she said, sitting in her



Special to The Dallas Morning News: Associated Press

Theresa Gutierrez, a Victoria school board member, says other trustees shut her "out of the process."

Once in office, Mrs. Gutierrez began to speak out about issues of concern to her 69 percent Hispanic constituency. She talked about disciplinary procedures, dress codes and a desegregation battle that had seen the district forfeit federal funding for more than a decade.

When the board began closing schools in May 1986 to achieve a required racial balance, it shut down the elementary school two blocks from Mrs. Gutierrez's home, which her children attended.

Six months later, amid a court battle initiated by Mrs. Gutierrez over the election of two white board members, her colleagues adopted the new agenda policy that Mrs. Gutierrez contended was aimed at her.

"They told me it wasn't worthy of discussion if I couldn't get a second," Mrs. Gutierrez said. "That's a bunch of bull."

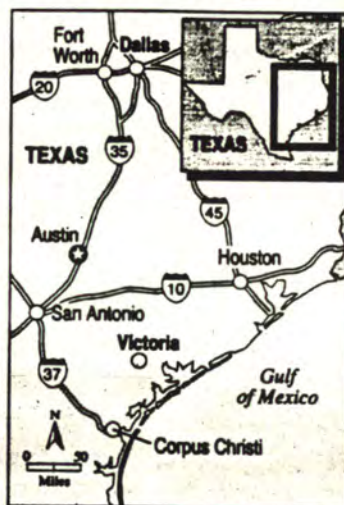
Mr. Wilson, the board president who initiated the change, said he was looking for a way to streamline increasingly lengthy meetings.

"The basic feeling was it was not a good idea to put things on the agenda that most of the board was not particularly concerned with," he said.

Mr. Wilson said the policy did not silence Mrs. Gutierrez. "I don't believe you could read the papers here in town and believe that she was shut out of the process. She was involved in everything," he said.

Mrs. Gutierrez filed suit in March 1987, contending the new agenda policy was a change affecting voting that had to be submitted to the Justice Department for approval before being implemented.

The three-judge district court analyzed the situation as a minor parliamentary dispute between school board members, and the



The Dallas Morning News

now chief of the Voting Section.

Mr. Rosenbaum, part of a Clinton administration effort to boost Justice Department oversight of changes in minority officeholders' powers, acknowledged that he had an advisory role in Mrs. Gutierrez's case. He declined to discuss his recommendation, citing a department policy against discussing internal communications.

While the agenda rule was abolished in May 1989, Mrs. Gutierrez has continued to have clashes with the board that she attributes to racism.

Two years ago, for example, the board declined to pay her expenses to attend a convention of the National Caucus of Hispanic School Board Members, where she was to be installed as president.

Other board members contended that she would be representing a "special interest" group and cut off further discussion.

"The majority of us at that point felt we didn't need to single out any one race of people.

The Dallas Morning News

Leading Newspaper

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Dallas, Texas, Monday, August 15, 1994

5 Sections

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• 25 Cents



Associated Press

David Jordan is the president of the first black-majority City Council in Greenwood, Miss. White opponents are pressing him to resign his council seat.

UNENDING STRUGGLE

Years after vote law, minority officials still find harassment

Second in a series
By Susan Feeney
and Steve McGonigle

Washington Bureau of The Dallas Morning News
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As the father of two teen-agers, Lowndes County Supervisor Leroy Brooks rarely answers the telephone at his Mississippi home. This day in March was different.

"Leroy Brooks, you (expletive) nigger," a man said in a low, angry voice. "I'm sick and tired of you. I'm gonna kill your damn (expletive)."

Mr. Brooks, the first black elected to the Board of Supervisors since Reconstruction, quickly hung up. He punched up the codes to learn the caller's telephone number and called police.

Almost three decades after passage of the Voting Rights

VOTING RIGHTS: THE NEXT GENERATION

Threats, abuse, indignity

- | | |
|--------------------------------|-----|
| ■ Black voters still excluded. | 10A |
| ■ Trouble in Kountze, Texas. | 11A |

Act of 1965, some minority officeholders still face forms of harassment reminiscent of the earliest days of the civil rights struggle.

The vast majority of blacks, Hispanics and other minorities in public office serve unfettered by discriminatory schemes. But harassment and retribution still persist across Texas and the South — a region subject to special scrutiny under the Voting Rights Act because of

Please see MINORITY on Page 10A.

VOTING RIGHTS: THE NEXT GENERATION

Security officials and harassment after vote law

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Commission, twice has had dead
dogs left in the driveway of his
home.

A racially charged letter was left
by his mailbox, he said, and there
have been "the normal telephone
calls" with unidentified voices
hurling racial slurs at whomever
answers the telephone.

"It really doesn't bother me," the
former schoolteacher said. "It
bothers my wife a little bit."

M.W. "T.D." Thornhill, who
served 16 years on the Lynchburg,
Va., City Council, said he received 10
to 15 telephone threats in 1991 and
1992, when he served as the city's
first black mayor.

For Robert Avant, a supervisor in
northern Mississippi's Panola
County, the worst came in his first,
unsuccessful, run for office in 1983.

Stream of calls

In a stream of harassing
telephone calls, he said, "They'd tell
me or my wife or my children, 'We're
not going to have a black supervisor
in Panola County,' or 'They're going
to find you shackled in some ravine
or hanging from a tree.'"

"If you come home and your child
is crying and saying someone called
and said they're going to burn down
the house, that gets to you," Mr.
Avant added.

For Mr. Brooks, the Lowndes
County, Miss., supervisor, the
telephone threat was the second
against him after he tried to get the
white-majority board, in the 37
percent black county, to hire a black
deputy road manager.

The first threat came through the
mail — a handwritten, racist scrawl
across white-lined paper that carried
a local postmark.

"You are the classic affirmative
action nigger," the letter began. "It
must pain your soul to realize the
only way you and your people can
work with white Americans is to
have the federal government make
us."

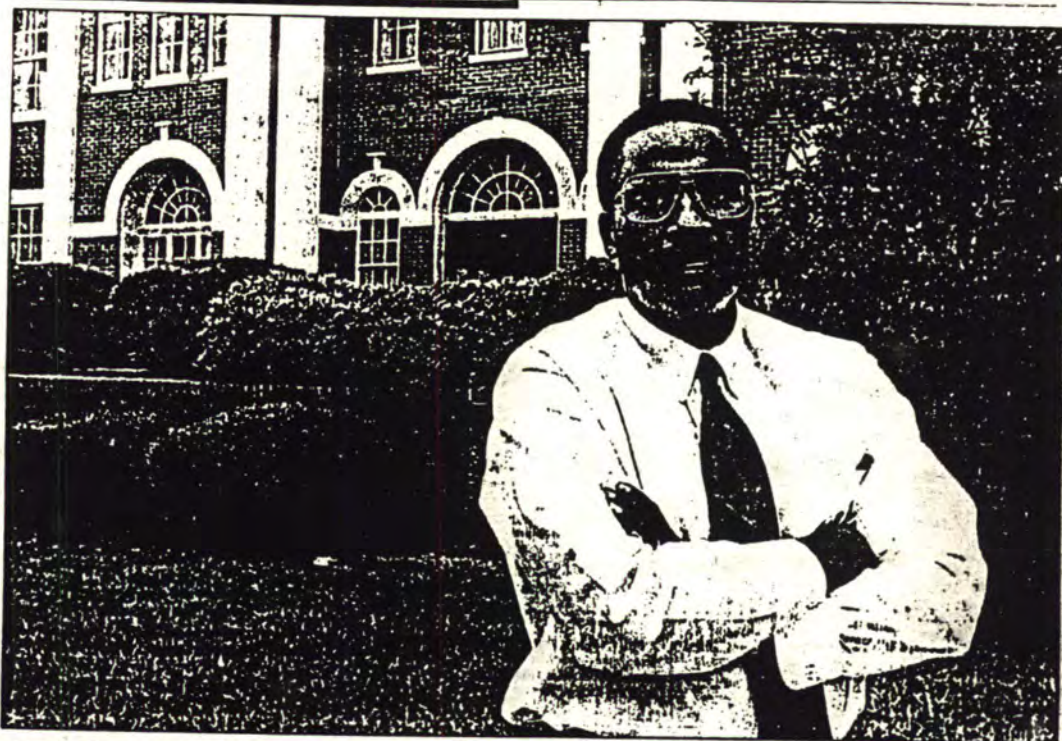
Mr. Brooks, 40, said, "The whole
thing is to see me shudder. I haven't
shuddered." But he now keeps a
shotgun propped next to his
computer in his downtown
Columbus, Miss., office.

Businesses suffer

Tony Villarreal's life was not in
jeopardy. His livelihood was.

The first Hispanic on the Edwards
County Commissioners' Court, he
questioned its closed-door meetings.
The panel, he said, failed to address
the needs of Hispanics, who make up
52 percent of the southwest Texas
county.

"I'm not radical or anything, but
when I'm elected to a position, I'm
elected for the people I represent."



Leroy Brooks, supervisor of Lowndes County, Miss., has received telephone and written threats.

Mr. Villarreal said, "And that was my
district I was representing." White
ranchers, who dominate the local
economy, stopped patronizing Mr.
Villarreal's fence-building business.
Conditions grew so grim that he did
not seek re-election in 1988 and
moved from Rocksprings to Port
Stockton.

In 1992, he was elected to the
Pecos County Commissioners' Court.
He said that he has no problems with
harassment and his business is
prospering.

Ralph Leal used to run a small
grocery store in Nixon, a town of
1,996 in Gonzales County, southeast
of San Antonio. In 1988, he was
elected the town's first Hispanic
mayor.

Within two years, Mr. Leal said,
whites stopped patronizing his
business or even speaking to him.
The store closed four years ago.

He also had problems at City Hall.
He said that the city manager, whom
the council hired over his objection,
forbade employees to talk to Mr. Leal.
When the city fixed the streets in his
neighborhood, the contractor
skipped his block, he said.

"That's the way this community
is," said Mr. Leal, 53, who in May was
defeated for re-election by a white
candidate. "They don't want a
Hispanic to blossom or to make a
name for himself."

City Manager Pete Byrd denied
ordering his employees not to speak
to Mr. Leal. And he chuckled when
told of the former mayor's other
accusations of biased treatment by
city officials or the community.

"I don't have any knowledge of

him being harassed while he was
mayor because he was Mexican or
Hispanic — whatever you want to
call it," Mr. Byrd said.

Sham prosecutions

A persistent complaint from
minority officeholders — heard from
Capitol Hill to the Texas Panhandle
— is that they are subject to sham
prosecutions. Minority officials in
small towns and rural counties often
have few resources with which to
fight.

Last year, a Calhoun County,
Texas, grand jury investigated Port
Lavaca City Councilwoman Elvira
Martinez over allegations that she
improperly assisted elderly Hispanic
voters at a polling place. She was
cleared.

Mrs. Martinez was one of two
Hispanics elected to a six-member
council in a city that is 47 percent
Hispanic. Her accuser, a Hispanic
ally of the white mayor, backed his
charges with a videotape of Mrs.
Martinez, who was surreptitiously
taped by the mayor's husband, a local
constable.

"They don't want me to say
anything," Mrs. Martinez said of her
white council colleagues. "They
don't want me to represent my
constituency. They want me to do
what they want me to do."

In 1990, based on a complaint by
Mrs. Martinez, another county grand
jury reprimanded the Port Lavaca
council for holding private briefings
— without her — in violation of the
Texas Open Meetings Act.

Mayor Tinye Browning denied
that she or other members of the

council were racially biased. But she
acknowledged that there had been
near-constant friction since Mrs.
Martinez took office.

"She is extremely racial," Mrs.
Browning said. "She is Hispanic, and
she feels like everybody is out to get
her. We've worked real hard to work
with her, but there's just no way."

In Mississippi, Mr. Brooks was
charged with extortion in May 1992
in connection with the community
youth center he runs. A state judge
dismissed the case for lack of
evidence.

He was investigated by the state
auditor 10 times in 10 years — the
result, he said, of anonymous tips
from Lowndes County. Only one
finding stuck: He gave a load of
gravel to a radio station, which he
said he thought was nonprofit. It was
not a criminal charge.

A spokeswoman for the state
auditor declined comment.

Board President Johnny Mack
McCrary said that Mr. Brooks is not
discriminated against.

Frivolous complaints

"He just got a problem," Mr.
McCrary said. "Everything that
comes up he tried to make it a racial
problem. I don't know what gets him
going. He always takes it personal
and says it's racial."

But James "Punch" Walters, the
board's white attorney, sides with
Mr. Brooks.

"Yeah, he's been harassed," Mr.
Walters said. "He's been in court 500
times on all this Mickey Mouse stuff.
He's one of the brightest lights of
Mississippi. I wish we had 1,000

more" of him.

Former Mississippi Gov. Ray
Mabus, who was state auditor from
1984 to 1988 and recently became U.S.
ambassador to Saudi Arabia, said
frivolous complaints become
apparent. When investigators
detected such a pattern, he said, they
gave additional allegations a low
priority.

In Texas, when the all-white
Castro County Commissioners Court
refused to pave roads in Harold
"Tater" Smith's heavily Hispanic
precinct, he dug road-paving
materials from his land to do the job.

For his efforts, Mr. Smith faced
possible felony charges last year for
using county equipment to do work
on private property.

Mr. Smith, a 65-year-old potato
farmer, denied any wrongdoing. He
contended that he would not have
been threatened with prosecution
had he not aided efforts to elect the
first Hispanic commissioner in a
county that is 69 percent Hispanic.

Mr. Smith said other
commissioners persuaded District
Attorney Jerry Matthews to take him
before a county grand jury.
Afterward, he said, Mr. Matthews
signaled that he could quit or be
indicted.

"They made life so rough on me
that I resigned, and it was because I
supported the Spanish people," Mr.
Smith said.

Mr. Matthews said that Mr.
Smith's resignation had "nothing to
do with the redistricting matter,"
although it was tied to his relations
with commissioners who opposed.
Please see MINORITY on Page 11A.

VOTING RIGHTS: THE NEXT GENERATION

Minority officials still struggle with harassment

on Page 10A.
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e the first black

president "not because of color. It
was because of qualification."

Mr. Loche said, "Segregation is
alive and well and hearty in
Morehouse Parish," where a majority
of voters supported former Ku Klux
Klan leader David Duke in the last
governor's race.

In Greenwood, Miss., Delta civil
rights leader David Jordan faces
another brand of backlash.

President of Greenwood's first
black-majority City Council, Mr.
Jordan won a seat in the state Senate
in 1992. When his white opponents
pressed him to resign his council
seat, a new fact came to light:
Mississippi was one of a dozen or
more states that permitted dual
officeholding.

Mr. Jordan kept both offices, and
his council district re-elected him
overwhelmingly in 1993.

This year, his white foes
persuaded the Mississippi
Legislature to bar lawmakers from
holding two offices. The Justice
Department must review the
measure to decide whether it is
discriminatory.

"Everybody says it's just a racial
thing," said Mr. Jordan, a former
schoolteacher.

Mississippi state Rep. Jimmy
Green, a Republican and chief
proponent of the measure, denies
any racial motivation. "I don't think

it's right for a person to serve in two
elected offices — regardless of race,
creed or national origin."

In Newton County, Miss., last
August, Supervisor Walter Gardner's
white colleagues told him that the
board meeting was about to end, and
he left the session to take his wife,
Daisy, to the doctor.

What happened, according to
minutes of the meeting, is that the
board went on to approve at least 16
more matters not on the agenda. One
was an unprecedented vote to take
money from a county account of Mr.
Gardner's to pave a little-used,
mile-long road leading to a
horse- and cattle-show barn in his
district.

The road, used primarily by more
affluent residents from other parts of
the county, was not a top priority for
Mr. Gardner. He struggles to keep his
cash-strapped district's busiest
thoroughfares in repair.

"Three on a board can do
anything they want to," said
Supervisor Jimmy Smith, who was
chairman at the time. Further, he
said, "it don't have to do with race."

In Edwards County, Texas, when
the commissioners court voted in
1984 to reduce all four
commissioners' salaries from \$11,000
to \$8,600 annually, advocates said it
was an equitable, cost-saving move.

But it came just as the first

Hispanic, Mr. Villarreal, was elected
to the court. Unlike the white
ranchers who dominated the court,
Mr. Villarreal said that he needed
the money.

Sidesteps

At times, local governments take
extraordinary actions to sidestep the
wishes of minority officeholders.

Plaquemines Parish, La., was the
bayou stronghold of the late
segregationist and Commission
Council President Leander H. Perez.
In 1965, Mr. Perez told Congress the
Voting Rights Act was a communist
plot to control the Deep South
through "Negro rule."

Plaquemines Parish is now 23
percent black, and its first black
councilman, Hosea M. Ned Jr., serves
largely without hindrance. But when
he wanted to hire the first black for
the council's clerical staff in 1991, his
colleagues balked and voted to
eliminate the job.

In Lowndes County, Miss., the
battle in March was over hiring a
black deputy road manager, but the
result was the same.

"They would rather not have
anyone than have a black guy," said
Mr. Brooks, the black supervisor.
Sometimes even common
courtesy is suspended.

John Pellham, the first black
mayor in tiny Rich Square, N.C.,

which is 44 percent black, was
presiding over his first council
meeting last December when he saw
several whirling camcorders aimed
at him by the wives of his white
political opponents.

"I suppose they thought our
competence was in question," Mr.
Pellham said with a laugh. The
cameras returned at January's
meeting but were gone by February,
he said.

A frequent slight cited by
minority officials is a refusal to pay
their costs for attending minority
conferences.

Mississippi supervisors routinely
are reimbursed for travel to the
annual meeting of the
white-dominated Mississippi
Association of Supervisors. But so
many blacks were unable to get
reimbursed when they attended
Mississippi Black Supervisors
Association meetings that they
changed the name to Mississippi
Association of Supervisors/Minority
Caucus to try to get their expenses
paid.

Money an Issue

Money also figures in other
disputes.

Mrs. Martinez of Port Lavaca,
Texas, and Ms. Freeman of Lincoln
County, Ga., said they have been
required to pay for copies of

VOTING RIGHTS: THE NEXT GENERATION

The first generation of the voting
rights movement concerned minori-
ties' access to the ballot box; the
second saw the redrawing of political
boundaries. In the third generation,
voting rights advocates say, minority
officeholders are battling attempts to
curb their powers.

☐ SUNDAY: A loss of authority

■ MONDAY: Threats, abuse, indignity

☐ TUESDAY: A watchdog questioned

government documents that they
consider necessary for their official
duties.

Ms. Freeman, a gritty combatant
with her white school board
colleagues since taking office in
January 1993, is brought to tears in
the recounting of one incident.

She and her husband were unable
to attend a school banquet in
December, so she asked school
officials if she could send a
representative. She said that she
offered to pick up any costs, and
school officials gave her the
go-ahead.

But when a father and his
sixth-grade son arrived at the
banquet, they were turned away.

"They made him and his son go
home because they didn't have \$10,"
Ms. Freeman said.

lom comes nearly 30 years late for blacks ing in their 1st elections in Mississippi town

Feeney
eau of The Dallas Morning News
R, Miss. — Freedom
me to Cruger nearly 30

Delta town's 1993
election was the first
lacks in town knew

didn't know," said
kson, the newly elected
e 81 percent black

didn't get to participate in
t," said Rep. Bennie
D-Miss., who represents
ongress. "When I first
ce in 1969, we couldn't
Bolton (population 664)
d an election. Here it is
later, and that kind of
appears."

ights experts say
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Asian-Americans,
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are barred from
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is new book on voting
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entional exclusion of
s in Cruger is denied by

the white officials who, until last
year, ran the quiet, dusty town of
548 people.

But there is no denying that
blacks were left out. The proof
came in the balloting.

Blacks registered in record
numbers, county officials said, and
in June 1993, they elected Mr.
Jackson mayor and put blacks in
four of five alderman posts.

The longtime town clerk, who is
white, abruptly resigned.

Robert O'Reilly, an 85-year-old
retired cotton farmer who was
mayor for 42 years until 1989, is
unapologetic.

"Nobody goes around and says,
'There's an election tomorrow, go
and vote,' " he said. "If they weren't
interested in finding out, no one
was interested in going around
telling them."

Mr. O'Reilly, who paved Cruger's
streets and got federal money for a
fire truck, said blacks "just weren't
interested" in voting. "The only
thing they were interested in is
welfare."

Mr. Jackson shrugged. "There
may be some truth" to that, he said.
About half of Cruger's blacks
receive federal assistance, the
mayor said, but it doesn't mean that
their votes count for less.

White officials "never informed
us" about elections, "never
publicized them," said Mr. Jackson,
48, who works on the assembly
floor at nearby Baldwin Piano &
Organ Co.

Black apathy also is to blame, he

said.

"You might say we did not really
do any hard effort until a couple of
years ago," he said.

On a 10-minute driving tour of
Cruger, Mr. Jackson struggled to
explain how blacks could be in the
electoral dark for so long in a town
a half-mile wide and six streets
across.

So small is Cruger that house
numbers don't matter. One woman,
registering to vote, told the county
that she lived on the "2nd street,
3rd house on right." Another said:
"Left at 4th street, cross railroad
tracks, 1st left, follow the curve, 3rd
house on the right."

Blacks and whites don't mix, Mr.
Jackson said. Cruger's homes span
the economic gamut from
ramshackle trailers with tar paper
roofs in the black neighborhood to
white-column colonials in the
white section of town.

Of 20 residents who recently
registered to vote, half said they
had no telephones.

A wide spot in U.S. Highway 49E,
Cruger has one store, a cafe, a
cotton gin, an auto repair shop, a
beauty shop and a juke joint. There
are two black churches and two
white churches.

The children frolicking on the
playground at Tchula-Cruger
Academy are all white. Black
children ride the bus nine miles to
public school in Tchula.

Until 1993, locals say, Cruger's
elections worked like this:

Early in an election year, "most



of the men would gather around
and — if one didn't want to run
again — someone else would say,
"Well, I guess I'll run," said Sandra
Lindsey, the former town clerk.

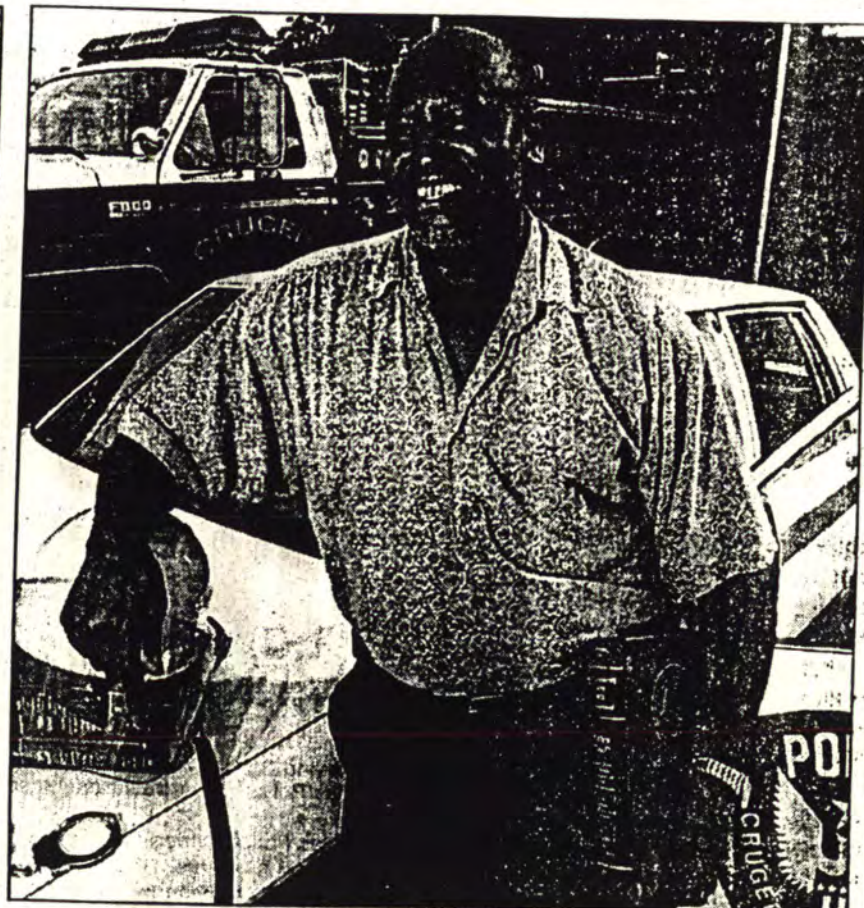
The hand-picked mayor and
alderman candidates ran
unopposed, eliminating any need
for campaign signs, speeches or
mailings. All ran as independents.

Elections were held at the
town's lone polling place, a green
aluminum-sided fire house that
doubles as City Hall.

"We absolutely did have black
voters," Mrs. Lindsey said, although
she admits that they were few. Mr.
Jackson said a door-to-door canvass
early last year yielded only two
blacks who said they had voted
previously.

Official election records are no
help because state law bars
identification of voters by race.

"There was no real reason for
them not to know" about elections,
Mrs. Lindsey said. Although Cruger



William Jackson was recently elected mayor of the 81
percent black community of Cruger, Miss.

did not place formal election
notices in the newspaper "for the
sake of expenses," she said, "all
Mississippi municipalities hold
their elections the same day.
Anyone who is informed, if you
read the newspaper, you'd see all
these other towns that had
competition going."

But Cruger doesn't have a
newspaper or a radio station, not
even a community bulletin board.
Mr. Jackson said few blacks

subscribe to the newspaper in
nearby Greenwood, which usually
published a small mention of
Cruger's election results.

There are conflicting accounts
about what prompted Cruger's
blacks to act. Alderwoman Mattie
Young's explanation is one of the
most succinct:

"We just woke up one day, and
we decided it was time for a
change."

Muslim mayor battles all-white board

McGonigle

Staff of The Dallas Morning News

Bilal has brought national attention and all eyes to Kountze, Texas, in the city's first park. He landed \$250,000 in money for a badly needed

the first black mayor in America takes council meetings, he is second to his motions. Members of the all-white council speaking without his

for his election to a city in May, the council gave photographs of Mr. Gov. Ann Richards, General Dan Morales and Jesse Jackson taken off a Hall.

Council members tried to sign a document that trimmed his powers. It contained a warning that constituted "gross" and could result in

ing the impression that "I just feel that it's just a matter of them not wanting to give me the respect because of who I am — being somebody that I don't think they like," Mr. Bilal said.

Mr. Bilal became so popular that he sued two attorneys for slander and was described as "imminent" allegedly made at a recent council meeting. Council members denied the

his friends recently they had seen

enough. They began a petition drive to force an election to reduce the council from five members to two. They gathered enough signatures in 24 hours.

"These three council members are trying to fire a democratically elected mayor," said Jim Powers, a white computer consultant who helped organize the drive. "And that just wouldn't cut it with me."

Saturday, Kountze voters overwhelmingly rejected the proposed change in city government, leaving Mr. Bilal's opponents in office until at least the next municipal election in May 1995.

Mr. Bilal shies away from blaming his problems on racism — although his backers do not hesitate. The mayor prefers to attribute the turmoil of the past year to political and personality differences.

"I just feel that it's just a matter of them not wanting to give me the respect because of who I am — being somebody that I don't think they like," Mr. Bilal said.

The mayor's most outspoken council foe, Betty Ann Williford, denied that race was behind her criticism. Mrs. Williford said that she could accept Mr. Bilal's high profile if it produced results for Kountze.

"He travels. He gets notoriety. But as far as I know, he has never accomplished one single thing for this town because of that public relations, that notoriety," she said.

"Quite the contrary, there are some people who think we're a black Muslim community, which is

not the publicity we want for this town," Mrs. Williford said.

She denied that the council wanted to remove Mr. Bilal, whom she described as "a figurehead, so to speak." Rather, she said, the council wanted to exercise the authority assigned to it by law.

"The fact that we don't always speak to the chair and through the chair is not a problem in my mind," Mrs. Williford said.

Mr. Bilal has been an unpaid mayor of the southeast Texas town of 2,056 people since his appointment by a previous council in 1991. His troubles, he said, began in 1993 with the election of three new members who opposed a plan that he backed to dissolve the city's small police force.

"Things been going downhill for me ever since," the mayor said.

When he sets a meeting agenda, council members have city staff change it. He can't get his expenses paid to get official training. He can't even choose the city administrator, which is a break with tradition.

Mr. Bilal said that he has broken five or six gavels trying in vain to convince council members to follow basic parliamentary procedures. They don't wait for him to adjourn before leaving council meetings, he said.

Last summer, the council forced him to vacate his office in City Hall. They said the space was needed for staff, but it remains empty.

"I tell you, man, it's tough," Mr. Bilal said.

Mr. Bilal was born Charles Jenkins but took a slave's name when he converted to the Muslim

faith in the 1970s. He has lived in Kountze all his life, except for his years in college and on the road with a band.

His is a town with a checkered racial past. In the 1930s, a black murder suspect was killed by a white mob and dragged through the streets. There were reports of cross-burnings eight years ago.

Vidor, where the Ku Klux Klan is active and where no blacks resided until recently, is 25 miles to the southeast.

Mr. Bilal, the owner of a lawn-care business, had a series of blue-collar jobs and worked in several local elections before he ran for the City Council in 1990. He defeated an incumbent by nine votes.

He ran, he said, because he had tired of his own complaining. He said that he wanted to "see if I could make a difference."

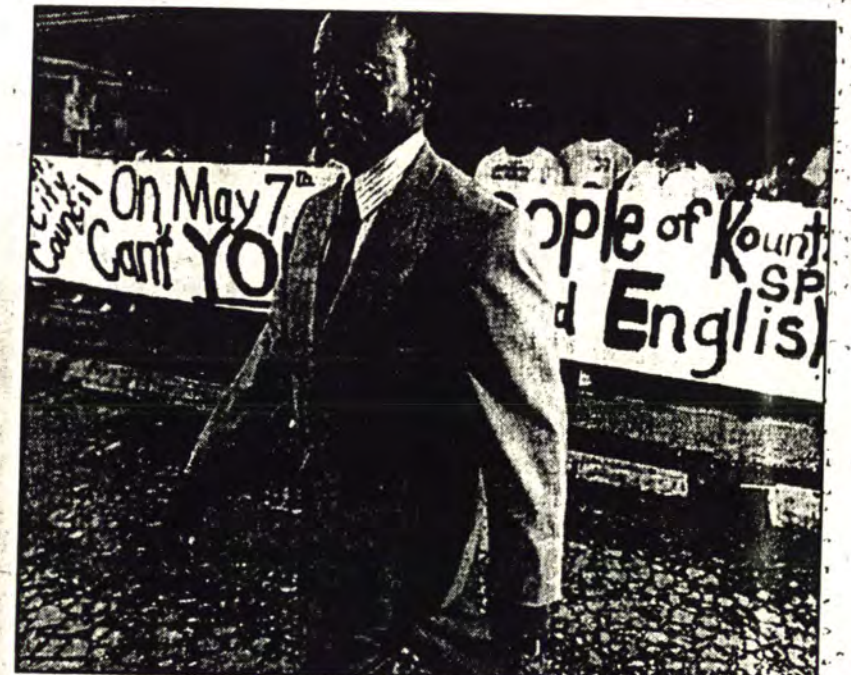
His two victories in mayoral elections have come by wide margins, despite the fact that Kountze is less than 30 percent black.

He attributed his popularity to "being a people person."

Because of his unique status as a Muslim mayor, he has also become something of a celebrity. He was invited by the government of Indonesia to visit and has been interviewed by news organizations from Japan.

Earlier this year, Mr. Bilal was able to bring Mr. Ali, the former heavyweight boxing champion, to Kountze for a parade and benefit for a new city youth center. The event garnered \$6,500.

His council foes "tried to block that," he recalled. "They done all



Special to The Dallas Morning News: Address Latif

Supporters rally for Kountze, Texas, Mayor Charles Bilal.

kinds of things to try to disgrace my leadership."

Mr. Bilal said that he rarely tries to raise issues in council meetings, because he knows he is unlikely to draw even one supportive vote.

His successes, he said, have come outside City Hall. Contacts in Washington helped him win the grant to dig a new water well. He said that he is working on a second grant for \$500,000.

Still, his service has taken a toll. His business is facing problems. He said that he worries that a single official mistake could land him in jail.

"The council is where the power is. They can work with the mayor or against the mayor," he said. "If you got a council in there



The Dallas Morning News

that don't like the mayor, they can utilize their vote and make anything happen."

The Dallas Morning News

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Dallas, Texas, Tuesday, August 16, 1994

5 Sections

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SIDELINED JUSTICE

Agency's efforts faulted, but officials cite voting rights progress

Last in a series

By Steve McGonigle
and Susan Feeney

Washington Bureau of The Dallas Morning News

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WASHINGTON — The day President Lyndon Johnson signed the Voting Rights Act of 1965 into law, he immediately directed the Justice Department to challenge poll tax laws in his native Texas and three other Southern states.

"I pledge to you," he told the nation in a televised address, "we will not delay, or we will not hesitate, or we will not turn aside until Americans of every race and color and origin in this country have the same rights as all others to share in the process of democracy."

Twenty-nine years later — and 19 months into

VOTING RIGHTS: THE NEXT GENERATION

A watchdog questioned

- | | |
|-------------------------------------|----|
| ■ Edwards Aquifer, voting rights. | 6A |
| ■ Profile of voting rights section. | 6A |

another Democratic administration pledged to strict voting rights enforcement — officials elected by minority voters said they struggle alone. They rarely ask the Justice Department to help battle attempts to cut their power.

During a six-month investigation, *The Dallas Morning News* found that the Justice Department often stays on the sidelines when minority officeholders
Please see CRITICS on Page 6A.

Critics say Justice Department failing to protect voting right

Continued from Page 1A.
complain that their authority has been transferred.

Justice Department officials concede that enforcement weakened over the past decade of Republican administrations. But they contend that great strides have been made toward fulfilling the Voting Rights Act's goals.

"There has been tremendous gain achieved," said Steve Rosenbaum, chief of the department's Voting Section. "There are still gains left to be achieved."

Theresa Gutierrez, a school board member in Victoria, Texas, is not a fan. Not only did the department decline to help her fight a board policy that muted her participation, she said, but it successfully urged the U.S. Supreme Court not to hear her appeal.

"It was MALDEF who came to my rescue and not the Justice Department," she said, referring to the Mexican American Legal Defense and Education Fund, a Hispanic civil rights organization.

"The Voting Rights Act," Mrs. Gutierrez said, "is a facade."

Some observers argue that the Voting Rights Act was meant to offer broad coverage, including Justice reviews of transfers of authority. Others contend that such scrutiny would be an unwarranted intrusion into state and local government affairs.

"This is oppression. That's all it is," said Georgia Attorney General Michael Bowers, an outspoken critic of proposals to amend the Voting Rights Act to cover shifts of official authority.

"Who elected them to govern the City Council of Vidalia, Georgia?" asked Mr. Bowers, who is elected. "The people didn't get to vote for those lawyers in the Justice Department."

Several civil rights advocates countered that the federal government must assume a more vigilant role to abolish the remaining vestiges of racism that undercut minority political participation.

The Clinton era

Critics of voting rights policy during the Reagan and Bush administrations contended that enforcement waned by design. It is upsetting, they said, that little has changed under President Clinton.

"I'd like to think with this administration there will be a greater attention to enforcing voting rights," said Rep. Bennie Thompson, D-Miss., a former mayor and county supervisor. "It still remains to be seen how deep their commitment is."

Assistant Attorney General Deval Patrick, who oversees voting rights enforcement, declined repeated interview requests by *The News*. He said during a chance meeting that he was still working to set the department's voting rights priorities.

Mr. Patrick, a former staff counsel with the NAACP Legal Defense and Education Fund, joined the Justice Department in March. He has said repeatedly that he is committed to strong voting rights enforcement.

In a recent television interview, he said the administration must "be very aggressive to the extent that there are

challenges to the ultimate objectives of the Voting Rights Act, and those ultimate objectives are to assure that minorities have as meaningful an opportunity to participate in the political process as everyone else."

Mr. Patrick's boss, Attorney General Janet Reno, has employed similar language about voting rights, as has Mr. Clinton.

Since Mr. Clinton took office in January 1993, the Justice Department has sided with several black members of Congress against lawsuits challenging creation of their majority-minority districts.

Ms. Reno has stated that she favors "corrective" legislation to address a 1992 U.S. Supreme Court decision that limited the Justice Department's role when minority officeholders' powers are reallocated.

But neither she nor Mr. Patrick has committed to support a pending bill to override the decision. The measure's chief sponsor, Rep. Don Edwards, D-Calif., said administration backing is crucial to passage.

Several Texas lawyers said they have not been impressed with the department's approach to fulfilling its responsibilities.

"The problem with the Justice Department in Texas is they have not paid attention. They have paid attention to the South. They have not paid attention to Hispanic concerns," said Judith Sanders-Castro, a voting rights attorney with MALDEF in San Antonio.

Mike Daniel, a Dallas lawyer who has filed several voting rights cases in East Texas, said the same lack of interest is evident there.

"The Justice Department is not there from the beginning," he said. Rep. Kwesi Mfume, chairman of the Congressional Black Caucus, said neither the president nor the top administrators at the Justice Department have made voting rights a priority.

"We believe that there has been an effort to deprioritize — by many of the president's people — the issue of voting rights and the issue that deals with the plight of minorities in this country," he said.

"When you talk about voting rights, when you talk about urban policies for the cities of this nation and for policies affecting poor rural communities or Haiti, you dial 911 and you get no answer from the White House," said Mr. Mfume, a Maryland Democrat.

One factor was the 1992 Supreme Court decision in *Presley vs. Etowah County Commission*, which placed new limits on the Justice Department's enforcement of voting rights laws where officeholders are concerned.

The decision, which stemmed from a recently elected black commissioner's objection to losing road-repair powers, decreed that the Justice Department could not intervene in transfer-of-authority cases.

"Changes which affect only the distribution of power among officials are not subject to (the Voting Rights Act) because such changes have no relation to, or impact on, voting," the court stated.

Because of the ruling, Mr.



Dallas Morning News file photo

President Lyndon Johnson signs the Voting Rights Act.

Rosenbaum, the voting section's chief lawyer, said his staff no longer looks for transfer-of-authority cases and must turn away those that it receives.

Only if the degree of power-shifting transformed the officeholder into a powerless figurehead, he said, would the department intervene.

Mr. Rosenbaum denied that previous administrations discouraged the 25-lawyer voting section from carrying out its enforcement duties.

"There hasn't been a policy directive in that sense, but you tend not to get policy directives in any administration like that," said Mr. Rosenbaum, a 16-year Justice Department veteran.

Under the Voting Rights Act, the Justice Department may file lawsuits to halt discriminatory practices. In all or part of 16 states, including Texas, the department must approve all proposed voting changes before they take effect.

Private groups' action

But private civil rights groups — with far fewer lawyers than the Justice Department — routinely have

filed more voting rights lawsuits than the government, specialists in the field say.

"That's been an operative fact of life for a long time," said Neil Bradley, associate director of the American Civil Liberties Union's Voting Project, which is based in Atlanta.

Chandler Davidson, a voting rights scholar at Rice University in Houston, reports in his new book, *Quiet Revolution in the South*, that the Justice Department filed three of 82 voting rights lawsuits brought against cities and counties in Georgia from 1974 to 1990.

In 1993, the first year of the Clinton administration, the Justice Department filed nine voting rights lawsuits — one more than the department had filed in the previous four years combined.

Mr. Rosenbaum attributed the small number of suits in recent years to the amount of staff time devoted to complex redistricting issues.

Spiver Gordon, the first black City Council member in Etowah, Ala., recalled the reception he got from the Reagan Justice Department when he asked for help with a loss of his

appointment authority.

"They were totally irresponsible," Mr. Gordon said. "They said they would get back to me, and they never did."

Several voting rights experts argued that the Clinton Justice Department's enforcement power has atrophied from an intentional lack of use during 12 years of Republican administrations that began in 1981.

"It's certainly not because they are incompetent," Lani Guinier, a former civil rights division attorney, said of the department's career legal staff. "They are quite competent."

The lack of aggressive enforcement, she said, is "because they were sent a signal, they were sent a message that the department's resources were not to be employed in this particular manner."

Accusations of political motivation have long haunted the voting section. Complaints were particularly frequent in the 1980s, when there was an explosion in the number of redistricting cases and subsequently, the number of minorities elected to office.

William Bradford Reynolds, assistant attorney general for civil rights during the Reagan administration, was chided by voting rights advocates for a lack of aggressiveness. Now in private law practice in Washington, Mr. Reynolds did not respond to repeated interview requests.

Jose Garza, a San Antonio voting rights attorney, said that during Mr. Reynolds' stewardship of the civil rights division, "if it had to go beyond the line-item people to a level to make a decision about litigation, it was extremely difficult to deal with them."

Officials inside the Justice Department, who requested anonymity, said Mr. Reynolds frequently overruled recommendations by the voting section to take a more aggressive approach on enforcement matters.

In a 1988 letter to Waycross, Ga., officials, Mr. Reynolds objected to their plan to abandon the 61-year practice of City Council members choosing one of their own to serve in the largely ceremonial post of mayor. Instead, they wanted to elect the mayor citywide.

The Justice Department found that in a 37 percent black community with a history of racial bloc voting, a black candidate would be unable to win in a citywide election requiring a majority vote for victory.

Mr. Reynolds advised Waycross officials how to circumvent the department's objections and still do what they wished.

"We hasten to add," said the letter, "that if the mayor were elected by a plurality rather than majority vote, the concerns that prompted the interposing of this objection would be significantly alleviated." Waycross took Mr. Reynolds' advice.

Mr. Reynolds' counterpart during the Bush administration, John Dunne, said that the voting section had been forceful, although he noted, "We don't just roam the countryside looking for violations."

Mr. Dunne said he was particularly disturbed by the circumstances surrounding the stripping of

Commissioner Lawrence Presley's road-repair duties soon after his election in Etowah County, Ala.

"I felt that it clearly either diluted the power or the strength of the individual vote," Mr. Dunne said. "If somebody goes and votes X, who's vested to carry out or powers, and then as a result of succeeding and Mr. X having principally (been) the favorite candidate by the minorities, it's effect of diluting the vote or the minorities' vote."

When Mr. Presley's case was taken to the Supreme Court in November, the Justice Department urged justices to take a broad view of voting changes covered by the department's reviewing authority.

In its brief to the court, the Department listed eight cases which it had objected to prior transfers of authority involving minority officeholders.

But less than a year after the *Presley* case was decided, the Justice Department backed off support of the Edwards bill to override the court's decision. A measure remains pending before House subcommittees.

Tim Flanigan, the former attorney general who headed negotiations on the Edwards bill, said the department was worried: law would flood the Voting Section with minor complaints. "The rights division at the time was concerned about the possibility they would be completely submerged," he said.

Since the Clinton administration took office, civil rights advocates urged the president, Mr. Reno, other top officials of the Justice Department to take immediate action to protect voting rights.

The Rev. Jesse Jackson to South Africa's recent steps to full participation in its first election after apartheid.

"When one detects these steps to undercut the promise, then be a legislative or judicial reform," Mr. Jackson told *The News*. "should not at all be surprised those who have not accepted America under one flag, the: they use to try to frustrate it, those who are responsible in government, of course, must keep building the bridge and walls down."

David Jordan, a civil rights and state senator in Mississippi, declared: "From time to time, need the iron fist of the federal government to make sure we each other right."

VOTING RIGHTS WATCHDOG

The voting rights section of the Justice Department's civil rights division monitors compliance with the Voting Rights Act of 1965.

PROFILE

STAFF: 83 employees, including 35 attorneys, paralegals and clerical staff.

BUDGET: \$7.7 million for fiscal 1994. (By comparison, this is less than the Justice Department spends on prosecuting income-tax scofflaws.)

HEADQUARTERS: Housed in downtown Washington on two floors of a Justice Department annex occupied mostly by the U.S. Bureau of Prisons.

OVERSIGHT: Review of voting changes proposed in Texas and the 15 other states covered by the Voting Rights Act of 1965 — virtually every state, city, county, school district and water board from Arlington, Va., south to Mobile, Ala., and west to Phoenix.

TEXAS RESPONSIBILITIES: More than 3,600 state and locally elected governing bodies.

SOURCE: Justice Department statistics through June 30, 1994

ACTIONS

Since passage of the Voting Rights Act, the Justice Department has reviewed 258,540 voting changes submitted for approval from state and local governments in the 16 states that receive special federal scrutiny.

Forty-one percent, or 104,547 submissions, came from Texas, the highest total from any state subject to approval.

The department objected to 2,910 proposed changes as having the "purpose or effect" of denying or abridging minority voting rights.

Of those, 10 percent — or 299 objections — came in response to Texas changes, the fourth-highest of any state.



The Dallas Morning News

VOTING RIGHTS THE NEXT GENERATION

The first generation of the rights movement concerned itself with the ballot. The second saw the redrawing of boundaries. In the third generation, voting rights advocates say, officeholders are battling to curb their powers.

SUNDAY: A loss of authority

MONDAY: Threats, abuse

TUESDAY: A watchdog goes

ting rights entangled in aquifer-control battle

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NGTV — Attorney
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intended lines.

ll, a three-judge panel in
on is expected to decide
Texas' proposed change in
governing boards violates
g Rights Act. The result
a transfer of oversight to a
dge of a blueprint for
ng minority officeholders.
ght plan not only Austin
Washington but also Gov.
ards against a longtime
ts ally the Mexican

Legal Defense and
a Fund
verno has accused

MALDEF of endangering the
economic future of the San Antonio
area by opposing a new aquifer
management plan that replaces an
elected water authority with an
appointed panel.

Aides said the change would
increase Hispanic representation.

"Ann Richards' record on civil
rights is extensive and well
known," said Susan Rieff, director
of the governor's policy council. "If
there had been any feeling on our
part that this (change) was
discriminatory, clearly, we
wouldn't have supported it."

MALDEF lawyers are
unpersuaded. They fear a domino
effect on other elected offices if the
Edwards Aquifer plan is
legitimized.

"We're very concerned about the
impact on minority voting rights.
And we're concerned about this
precedent — replacement of elected
officials with appointed officials,"
said Judith Sanders-Castro, voting
rights specialist in MALDEF's San
Antonio office.

The Justice Department, which
is grappling with the aftermath of a
1992 Supreme Court decision that
limited the scope of its voting rights
powers, has sided with MALDEF.
Except for a few comments by Ms.
Reno, voting rights officials
declined to discuss the aquifer case.

Water rights and voting rights
converged last year when the Texas
Legislature adopted a management
plan for the 180-mile-long aquifer,

San Antonio's sole source of
drinking water.

A few months earlier, U.S.
District Judge Lucius Bunton of
Midland had ruled that a lack of
proper management was imperiling
downstream plants and animals
protected by the federal
Endangered Species Act.

Judge Bunton ordered the state
to take steps to protect the blind
salamander, fountain darter and
Texas wild rice. Otherwise, he
warned, the U.S. Fish and Wildlife
Service would regulate water flow.

The Legislature responded with
a plan that abolished the Edwards
Underground Water District — a
three-county, 12-member, elected
board that had regulated certain
aspects of the aquifer since 1959.

In its place, lawmakers created
the more powerful Edwards Aquifer
Authority, led by a nine-member
board appointed by elected officials
in eight counties covering the
aquifer.

The change in governing bodies
was drafted as the original water
board was negotiating to redraw
boundary lines. The redrawn lines
would allow for the election of the
board's first-ever Hispanic majority.

Backing abolition of the elected
board were several large
developers, the city of San Antonio
and the San Antonio Water System,
each of which had bitter policy
differences with the water district.

"The makeup of the current
board was one that a lot of people

did not like," said state Rep. Robert
Pueente, D-San Antonio. "So they
thought that this (change) was a
way to get rid of them because they
couldn't do it at the ballot box."

Mr. Pueente said he balked at
abolishing the elected board but
was convinced by the architect of
the compromise, state Sen. Ken
Armbrister, D-Victoria, that only an
appointed board could win
legislative passage.

The voting rights question, Mr.
Armbrister said, was a minor
consideration compared with the
threat of federal takeover of the
aquifer if no management plan was
established.

He, too, denied the governance
change was meant to discriminate
against Hispanics. "If you read the
language of the bill it says those
appointed must accurately reflect
the ethnicity of the area," he said.

Last November, the Justice
Department's Civil Rights Division
disagreed. It ruled that the new
arrangement would dilute Hispanic
voting strength and, under the
Voting Rights Act, blocked the
change.

Ms. Richards and Attorney
General Dan Morales offered to
allow the two boards to coexist, but
the Justice Department refused.

On March 9, the state filed suit. It
built its argument for approval on
Presley vs. Etowah County
Commission, the 1992 Supreme
Court decision that declared the
Justice Department lacked

MANAGING THE EDWARDS AQUIFER

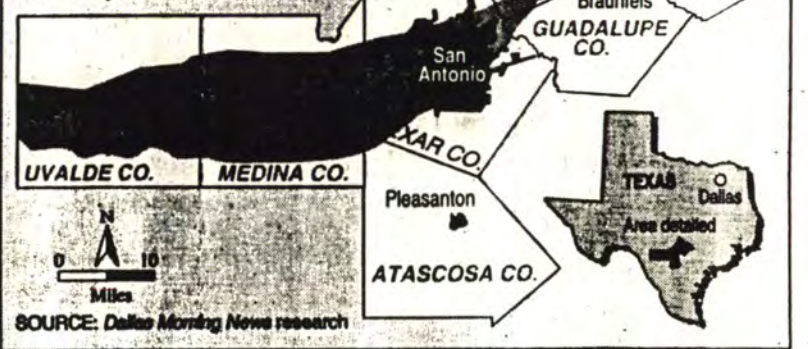
The method of selecting a board to oversee the Edwards Aquifer has become a central issue in a state-federal legal battle.

THE OLD BOARD

The Edwards Underground Water District consists of 12 members elected from three counties: Bexar, Comal, Hays

THE NEW BOARD

Created by the Legislature in 1993, the
Edwards Aquifer Authority would have nine
members appointed by elected officials in
eight counties: Bexar, Comal, Hays,
Medina, Uvalde, Atascosa,
Guadalupe, Caldwell



SOURCE: Dallas Morning News research

The Dallas Morning News

authority under the Voting Rights
Act to bar transfers of minority
officeholders' powers.

"All we're saying in this case is
this (board change) falls within the
range of the Presley decision," said
Assistant Texas Attorney General
Renea Hicks.

Mr. Hicks contended that the
change to an appointed water board
was a matter of state agency
management. He suggested that the
Justice Department was
interpreting the shift as a voting
change to reclaim some of the

authority it lost under the Presley
decision.

Henry Flores, a political science
professor at St. Mary's University in
San Antonio and a MALDEF ally,
said the circumstances made the
Justice Department's decision a
sound one.

"You talk Texas, you talk
elections, you talk racially polarized
voting, you talk a history of racism
in the state around electoral types
of politics and you're talking about
the Voting Rights Act," Mr. Flores
said.

THE PRESIDENT HAS SEEN
5.22.95

Robert Kuttner

... And the Budget Battle Cry

The details of Republican spending cuts have at last been unveiled—to resounding public disapproval. If there is a popular revolution out there demanding smaller government, the polls certainly don't show it.

A recent Washington Post/ABC News Poll found 56 percent of those interviewed opposed to the Senate Republican plan to slash Medicare, Medicaid and dozens of other programs to achieve budget balance by the year 2002. An even larger majority of 60 percent opposed the House plan, which cuts spending even more severely to finance a \$350 billion tax cut.

Seemingly, this is good news for President Clinton, who has been on an upswing lately: On Wednesday, Clinton explicitly threatened his very first veto, of a Republican bill to cut some \$16.4 billion of money already appropriated for such programs as national service and college loans.

But unless Clinton offers a fundamentally different picture of the government's role in the economy, he will find that the Republicans have set the terms of the larger debate, leaving him to quibble about details. Behind

the minutiae of budgetary politics is one central assumption—that the budget ought to be balanced.

Clinton seemed to concede that premise in his State of the Union address when he declared that, "I certainly want to balance the budget," and then challenged the Republicans to say how they would do it. Now that the Republicans have risen to that challenge, Clinton must either match them, cut for cut—or offer a different philosophy of government.

In recent weeks, Clinton's senior White House aides such as chief of staff Leon Panetta and economic adviser Laura Tyson have sounded almost Keynesian. But they have stopped just short of attacking the very idea of budget balance because their boss is sympathetic to it.

In the emerging debate, Senate Budget Committee Chairman Pete Domenici is seen as the moderate, since his budget plan would achieve balance but not exacerbate the task with \$350 billion of tax cuts. A small group of conservative Democrats in the House led by Texas Rep. Charles Stenholm favors the Domenici formula.

If Clinton does not redefine the whole budgetary issue, and soon, he could end up embracing the Domenici-Stenholm approach as the lesser evil—and throwing away hard-won government programs that a majority of voters actually prize.

In fact, there is no good economic reason why the budget must achieve absolute balance, in 2002 or any other year. The real fiscal issue is whether the national debt is manageable relative to the overall economy.

In the 1980s, the debt grew too fast. Supply-siders claimed that you could have tax cuts without spiraling deficits but were proven wrong; debt quadrupled. The accumulated debt held by the public is now equal to about 55 percent of one year's economic output—a level high by recent standards but actually lower than in most industrial nations and half the level that it was right after World War II.

Suppose we agree that the debt ratio should not go any higher. The long-term rate of economic growth has averaged about 2½ percent. As long as the debt grows more slowly than the economy as a whole, that debt ratio will gradually decline. That means deficits are tolerable, as long as they don't exceed 2½ percent of economic output.

That's about \$130 billion in popular public spending that needn't be cut—money for Medicare, college grants, food stamps and the rest. If on the other hand, Clinton joins the budget-balance parade, the Republicans will have set the terms of debate. And whatever cuts Clinton finds will likely be no more popular than the proposed Republican cuts.

At bottom, this debate is not about fiscal probity but about the role government can legitimately play in the national economy. Republicans, in a grand bluff, have interpreted their narrow November 1994 House and Senate wins as a sweeping mandate for radical change. But you'd never know it from the polls.

Speaker Gingrich is a master conjurer. But there is no army of angry citizens demanding steep cuts in social programs, nor absolute budget balance, much less the gutting of environmental protections or another round of supply-side tax cuts. There is public support for moderate budget restraint and for more efficient public services, but this is precisely the course the administration is pursuing. And Clinton has already made significant progress on deficit reduction.

Budget balance has become a Republican hammer for wrecking popular and legitimate programs. Unless the White House calls the Republicans' bluff, the claim of a massive voter revolt against the very idea of government will become a self-fulfilling prophecy. A good place to start would be to challenge the virtue of absolute budget balance.

THE WASHINGTON POST
MONDAY, MAY 22, 1995

Learn
Favorable
polls
need to
discuss
1995

JONATHAN YARDLEY

Affirming Affirmative Action

The cutting edge wielded by California long ago turned blunt and clumsy, as witness the calamitous Proposition 13, and, more recently, the ugly referendum denying illegal aliens most of the rights enjoyed by native or naturalized citizens. Now it looks as if it is about to be wielded once again, no doubt in a great spasm of vehement emotion and with consequences quite beyond the scope of prediction.

This is because a handful of white male college professors—based, connoisseurs of irony will note with delight, in Berkeley—have organized a campaign to put on the ballot in the fall of 1996 a referendum that, if approved, would put an end to state government-sponsored affirmative action programs in California. Their undertaking, which goes under the euphemistic name of the California Civil Rights Initiative, requires 690,000 signatures to get on the ballot; given the ornery mood of Californians these days, it seems likely not merely to do that but to become law.

At first glance this is scarcely a disagreeable prospect. Affirmative action, which became federal law three decades ago under an executive order signed by Lyndon Johnson and was later adopted in various forms by many states, has proved to be a considerably more nettlesome business than expected. What began as a good-faith effort "to ensure that applicants are employed, and that employees are treated without regard to their race, color, religion or national origin" was revealed in practice to have immense potential for reverse discrimination. As that potential was realized in everything from college admissions to government contracts, a powerful backlash was aroused.

The arguments against affirmative action, as they have evolved over the years, are compelling. The first is that ours is a society predicated upon individual rather than group rights; to grant or deny preference on the basis of group identity rather than individual merit is a transparent violation of those rights. The second is that affirmative action has great potential to harm those whom it ostensibly benefits, because the message it sends is that they have been granted preference not on merit but to satisfy a quota; this argument has been advanced with particular clarity and urgency by two prominent young black intellectuals, Shelby Steele and Stephen L. Carter.

All of which is well and good, except that upon close inspection affirmative action proves, like abortion, to be one of those great public issues upon which only those with closed minds can reach unambiguous conclusions. Abortion is relatively easy to defend on practical grounds, rather less so on moral grounds. Affirmative action by the same token is easy to oppose on moral grounds, considerably less so on practical ones.

Affirmative action is an imperfect solution for an imperfect world, but it remains that the world is indeed imperfect. As Charles Young, the chancellor of the University of California at Los Angeles, has said in response to the drive against affirmative action, "Not all groups have an equal opportunity to compete and advance in our society." As a white law student at Berkeley has said, the current drive "will really reinforce in the minority consciousness that

as possible. It will further alienate people, rather than promote racial unity."

These comments, which were published last week in a balanced, comprehensive report on the California controversy by Howard Goodman in the *Philadelphia Inquirer*, get to the heart of the case in favor of affirmative action, or some variation thereof. Its two central arguments are no less compelling than those in opposition: first, that action is needed because discrimination is still widespread, if often more subtly practiced than it was when the major civil rights laws were passed in the 1960s; second, that repudiation of affirmative action in a fashion so blunt as is proposed by the aggrieved professors of California would say to those affected by discrimination—African Americans most particularly—that the larger society simply does not care about them.

It is true, to be sure, that this gets us into ticklish ends-and-means territory. If an undesirable means (affirmative action) is employed to achieve a desirable end (equal opportunity), exactly how has justice been served? Unless one believes that it is fair and just to discriminate against white male Americans in order to level the proverbial playing field for blacks, women and others, it is pretty hard to argue the case for affirmative action with an utterly clear conscience. I for one cannot make the argument on those terms, and will not attempt to do so here.

But opposing affirmative action purely on moral and intellectual grounds, though tempting and tidy, begs the question of the messy real world it attempts, however clumsily, to confront. Assuming that we actually mean what we say about civil rights—most polls show that an overwhelming majority of Americans endorse them, at least in the abstract—then how do we put them into practice? How do we make sure that all of us have the opportunity to develop our talents to the fullest, as individuals rather than as members of groups?

It is a hard question to answer, for one person's rights too often can be another person's restrictions. In a world that has a finite amount of territory, one person has to cede a bit so that another can advance a bit, and it is not exactly within human nature for many to do this gladly. Yet the one absolute certainty is that for the United States to maintain and perhaps expand what still remains of its civic comity, the field of play must be as level as we can possibly make it. The age of white male hegemony is over; the most mature way to greet the new world is to cope with its inescapable realities, not to assail, Miniver Cheevy-like, the passing seasons.

This is what the paleface professors of Berkeley are doing. They talk oleagiously on the one hand about "simply reaffirming the letter and the spirit of the Civil Rights Act of 1964" while on the other they busily attempt to turn back the clock. They do so not merely in disregard of the altered state of the nation—but in simple denial. However inept government may be at ensuring equal opportunity, private enterprise is quietly going about the business of institutionalizing "diversification," recognizing not merely that it is necessary and just but that it is good business. In one form or another it is here to stay, though good old California seems bound and determined to make its progress as difficult as

Handwritten notes in the right margin: "The President has seen 5.22.95" and "Affirmative Action" with a large arrow pointing to the title.



EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
WASHINGTON, D.C. 20503

THE PRESIDENT HAS SEEN
5.22.95

May 16, 1995

95 MAY 17 AIO: 11

MEMORANDUM FOR THE PRESIDENT
VICE PRESIDENT

CC:

LEON PANETTA
PAT GRIFFIN
DOUG SOSNICK
HAROLD ICKIES

FROM:

KATIE MCGINTY

RE:

ENVIRONMENTAL ISSUES SPLIT REPUBLICANS

George S.

Handwritten note:
+ a decision
to the House
strategy

As we have previously discussed, I believe that environmental issues can be very strong for us politically with the general public--particularly now as the Republicans have so far overreached. But, I want to underscore again that I think the issue is also one that destabilizes the Republicans internally. If we push it hard and get into their backyards with issues of particular, personal concern to their constituents (e.g. Gilchrest and the Chesapeake), it will lead to defections within the party, as indicated in the attached article. It is worth noting that, during the first 100 days, the House takings vote drew more Republican defections than any other (or nearly any other) issue (we had 30-40 Republicans with us).

(DALLAS MORNING NEWS).

===== AIR AND WATER POLLUTION =====

*6 WATER ACT: GOP, DEM DEFECTIONS PORTEND FUTURE DIVISIONS

"Crossover votes" on the House clean-water bill "are being closely watched as signals of the emerging congressional balance of power on environmental issues, including the Superfund bill and the Endangered Species Act," the N.Y. TIMES reports.

Although it is not unusual in the 104th Congress for conservative Democrats to join Republicans in voting on environmental or other social issues, "there have been few votes in which so many Republicans have defected as the preliminary votes on the Clean Water Act." Rep. Wayne Gilchrest (R-MD), who opposes the bill, "says ... at least 30 Republicans have serious concerns with the bill, and that after the debate on coastal issues on Monday and Tuesday it will pass, but not by much."

Last week, 61 Republicans voted to support an amendment by Rep. Sherwood Boehlert (R-NY) to strike provisions in the House bill to repeal the Coastal Zone Management Act and fold its anti-pollution requirements into other state programs.

Several New England Republicans spoke on the vote's importance for protecting the area's beaches and the tourism industry. Only three of the region's Republicans voted against the amendment, which eventually passed 224-199, demonstrating "how powerfully local economic interests can draw Republican votes toward stronger environmental protections" (John Cushman, N.Y. TIMES). The House GOP leadership is planning to offer another amendment to reverse the decision (GREENWIRE sources).

CHESAPEAKE THREATENED BY WATER ACT

"The question they're asking in [Chesapeake] Bay country is, will the changes [in the House bill] threaten their way of life?" CBS's Eric Engberg reports. David Tedford, a bay-area fisherman: "There's no doubt in my mind that the pollution around here would increase tremendously and it would have a big effect on my livelihood" ("Evening News," CBS, 5/14).

EPA Administrator Carol Browner recently said there is "no better example than the Chesapeake Bay" to illustrate the potential harm the House bill poses to antipollution efforts. EPA officials say the bill would lead to more toxic discharges into Baltimore Harbor, the Anacostia River and the bay.

The bill also would probably result in a loss of up to 80% of the Chesapeake Bay's wetlands, according to a preliminary estimate by the Maryland Dept. of the Environment. Browner: "Their rewrite would gut the underpinning of all our efforts to fight pollution in the Chesapeake."

Rep. Bud Shuster (R-PA), the bill's sponsor, has defended the bill by saying it would maintain the same level of environmental protection while giving states and industry more flexibility (Gary Lee, WASH. POST).

===== WASTES AND HAZARDOUS SUBSTANCES =====

*7 INTERSTATE WASTE: SENATE EXPECTED TO VOTE ON BILL TOMORROW

The Senate is expected to vote tomorrow on an interstate-waste bill that would allow governors to freeze imports or ban out-of-state wastes. The legislation, "designed to overcome Supreme Court rulings declaring trash to be commerce that only Congress can regulate" (GREENWIRE 5/17/94), would permit some

To

President

Clinton

THE PRESIDENT WAS SEEN 5/22/95

Do Regy
to hand T

Shorter Work-Time Group

c/o 69 Dover Street, #1
Somerville, MA 02144
(617) 628-5558

THE PRESIDENT HAS SEEN

5/22/95

The Shorter Work-Time Group was founded by Women for Economic Justice.
It is now a project of the Center for Labor Education and Research.

Dear President Clinton -

On behalf of all the overworked
parents in the U.S., we hope
you like this song tape ^{"Overtime Blues"} and
would like to offer (request) that
you create a saxophone part to
add to it!

Thank you,

Barbara Brandt
for the

Shorter Work-Time Group

send
orig. to
Dorinda
cc

for reply
Tyson?

PS

5/22/95

done sew



Less is more: A call for shorter work hours

More free time is the best way to nurture our families and rebuild our communities

America is suffering from overwork. Too many of us are too busy, trying to squeeze more into each day while having less to show for it. Although our growing time crunch is often portrayed as a personal dilemma, it is in fact a major social problem that has reached crisis proportions over the past 20 years.

The simple fact is that Americans today—both women and men—are spending too much time at work, to the detriment of their homes, their families, their personal lives, and their communities. The American Dream promised that our individual hard work paired with the advances of modern technology would bring about the good life for all. Glorious visions of the leisure society were touted throughout the '50s and '60s. But now most people are working more than ever before, while still struggling to meet their economic commitments. Ironically, the many advances in technology, such as computers and fax machines, rather than reducing our workload, seem to have speeded up our lives at work. At the same time, technology has equipped us with "conveniences" like microwave ovens and frozen dinners that merely enable us to adopt a similar frantic pace in our home lives so we can cope with more hours at paid work.



A recent spate of articles in the mainstream media has focused on the new problems of overwork and lack of time. Unfortunately, overwork is often portrayed as a special problem of yuppies and professionals on the fast track. In reality, the unequal distribution of work and time in America today reflects the decline in both standard of living and quality of life for most Americans. Families whose members never see each other, women who work a double shift (first on the job, then at home), workers who need more flexible work schedules, and unemployed and underemployed people who need more work are all casualties of the crisis of overwork.

Americans often assume that overwork is an inevitable fact of life—like death and taxes. Yet a closer look at other times and other nations offers some startling surprises.

Anthropologists have observed that in pre-industrial (particularly hunting and gathering) societies, people generally spend 3 to 4 hours a day, 15 to 20 hours a week, doing the work necessary to maintain life.

The rest of the time is spent in socializing, partying, playing, storytelling, and artistic or religious activities. The ancient Romans celebrated 175 public festivals a year in which everyone participated, and people in the Middle Ages had

at least 115.

In our era, almost every other industrialized nation (except Japan) has fewer annual working hours and longer vacations than the United States. This includes all of Western Europe, where many nations enjoy thriving economies and standards of living equal to or higher than ours. Jeremy Brecher and Tim Costello, writing in *Z Magazine* (Oct. 1990), note that "European unions during the 1980s made a powerful and largely successful push to cut working hours. In 1987 German metalworkers struck and won a 37.5-hour week; many are now winning a 35-hour week. In 1990, hundreds of thousands of British workers have won a 37-hour week."

In an article about work-time in the *Boston Globe*, Suzanne Gordon notes that workers in other industrialized countries "enjoy—as a statutory right—longer vacations [than in the U.S.] from the moment they enter the work force. In Canada, workers are legally entitled to two weeks off their first year on the job . . . After two or three years of employment, most get three weeks of vacation. After 10 years, it's up to four, and by 20 years, Canadian workers are off for five weeks. In Germany, statutes guarantee 18 days minimum for everyone, but most workers get five or six weeks. The same is true in Scandinavian countries, and in France."

In contrast to the extreme American emphasis on productivity and commitment, which results in many workers, especially in professional-level jobs, not taking the vacations coming to them, Gordon notes that "In countries that are America's most successful competitors in the global marketplace, all working people, whether lawyers or teacher, CEOs or janitors, take the vacations to which they are entitled by law. 'No one in West Germany,' a West German embassy's officer explains, 'no matter how high up they are, would ever say they couldn't afford to take a vacation. Everyone takes their vacation.'"

And in Japan, where dedication to the job is legendary, Gordon notes that the Japanese themselves are beginning to consider their national workaholicism a serious social problem leading to stress-related illnesses and even death. As a result, the Japanese government recently established a commission whose goal is to promote shorter working hours and more leisure time.

Most other industrialized nations also have

better family-leave policies than the United States, and in a number of other countries workers benefit from innovative time-scheduling opportunities such as sabbaticals.

While the idea of a shorter workweek and longer vacations sounds appealing to most people, any movement to enact shorter work-time as a public policy will encounter surprising pockets of resistance, not just from business leaders but even from some workers. Perhaps the most formidable barrier to more free time for Americans is the widespread mind-set that the 40-hour workweek, 8 hours a day, 5 days a week, 50 weeks a year, is a natural rhythm of the universe. This view is reinforced by the media's complete silence regarding the shorter work-time and more favorable vacation and family-leave policies of other countries. This lack of information, and our leaders' reluctance to suggest that the United States can learn from any other nation (except workaholic Japan) is one reason why more Americans don't identify overwork as a major problem or clamor for fewer hours and more vacation. Monika Bauerlein, a journalist originally from Germany now living in Minneapolis, exclaims, "I can't believe that people here aren't rioting in the streets over having only two weeks of vacation a year."

A second obstacle to launching a powerful shorter work-time movement is America's deeply ingrained work ethic, or its modern incarnation, the workaholic syndrome. The work ethic fosters the widely held belief that people's work is their most important activity and that people who do not work long and hard are lazy, unproductive, and worthless.

For many Americans today, paid work is not just a way to make money but is a crucial source of their self-worth. Many of us identify ourselves almost entirely by the kind of work we do. Work still has a powerful psychological and spiritual hold over our lives—and talk of shorter work-time may seem somehow morally suspicious.

Because we are so deeply a work-oriented society, leisure-time activities—such as play, relaxation, engaging in cultural and artistic pursuits, or just quiet contemplation and "doing nothing"—are not looked on as essential and worthwhile components of life. Of course, for the majority of working women who must work a second shift at home, much of the time spent outside of paid work is not leisure anyway. (See *Utne Reader* cover story on "The politics of housework," March/April 1990.) Also much of our non-work time is spent not just in personal renewal, but in building and maintaining essential



social ties—with family, friends, and the larger community.

Today, as mothers and fathers spend more and more time on the job, we are beginning to recognize the deleterious effects—especially on our young people—of the breakdown of social ties and community in American life. But unfortunately, our nation reacts to these problems by calling for more paid professionals—more police, more psychiatrists, more experts—without recognizing the possibility that shorter work hours and more free time could enable us to do much of the necessary rebuilding and healing, with much more gratifying and longer-lasting results.

Of course, the stiffest opposition to cutting work hours comes not from citizens but from business. Employers are reluctant to alter the 8-hour day, 40-hour workweek, 50 weeks a year because it seems easier and more profitable for employers to hire fewer employees for longer hours rather than more employees—each of whom would also require health insurance and other benefits—with flexible schedules and work arrangements.

Harvard University economist Juliet B. Schor, who has been studying issues of work and leisure in America, reminds us that we cannot ignore the larger relationship between unemployment and overwork: While many of us work too much, others are unable to find paid work at all. Schor points out that “workers who work longer hours lose more income when they lose their jobs. The threat of job loss is an important

determinant of management’s power on the shop floor.” A system that offers only two options—long work hours or unemployment—serves as both a carrot and a stick. Those lucky enough to get full-time jobs are bribed into docile compliance with the boss, while the spectre of unemployment always looms as the ultimate punishment for the unruly.

Some observers suggest that keeping people divided into “the employed” and “the unemployed” creates feelings of resentment and inferiority/superiority between the two groups, thus focusing their discontent and blame on each other rather than on the corporations and political figures who actually dictate our nation’s economic policies.

Our role as consumers contributes to keeping the average work week from falling. In an economic system in which addictive buying is the basis of corporate profits, working a full 40 hours or more each week for 50 weeks

a year gives us just enough time to stumble home and dazedly—almost automatically—shop; but not enough time to think about deeper issues or to work effectively for social change. From the point of view of corporations and policymakers, shorter work-

Our growing time crunch is too often portrayed as a personal dilemma rather than a social problem.

time may be bad for the economy, because people with enhanced free time may begin to find other things to do with it besides mindlessly buying products. It takes more free time to grow vegetables, cook meals from scratch, sew clothes, or repair broken items than it does to just buy these things at the mall.

Any serious proposal to give employed Americans a break by cutting into the eight-hour work day is certain to be met with anguished cries about international competitiveness. The United States seems gripped by the fear that our nation has lost its economic dominance, and pundits, policymakers, and business leaders tell us that no sacrifice is too great if it puts America on top again.

As arguments like this are put forward (and we can expect them to increase in the years to come), we need to remember two things. First, even if America maintained its dominance (whatever that means)

and the economy were booming again, this would be no guarantee that the gains—be they in wages, in employment opportunities, or in leisure—would be distributed equitably between upper management and everyone else. Second, the entire issue of competitiveness is suspect when it pits poorly treated workers in one country against poorly treated workers in another; and when the vast majority of economic power, anyway, is in the control of enormous multinational corporations that have no loyalty to the people of any land.

Many people are experimenting with all sorts of ways to cope with grueling work schedules. Those with enough money use it to “buy time.” They find child care, order take-out meals, and hire people to pick their children up from school and do the family shopping. Other options being pursued by both men and women include actively looking for good part-time jobs; sharing jobs; arranging more flexible work schedules; going into business for themselves; working at home; and scaling back on consumption in order to work fewer hours for lower pay. While these ideas work in some cases, they are often stymied by a lack of support from employers, and they aren’t available to many people, especially those with lower incomes.

But perhaps the major shortcoming of all these individual responses is precisely that: They are individual. The problem of overwork is a broad problem of our economic system. It cannot be solved by just one individual, family, or business. Individual approaches ignore the many larger causes of the problem.

A number of solutions now discussed for the overwork crisis are actually steps in the wrong direction.

The conservative climate of the ’80s and ’90s has spawned a neo-traditional cultural movement that holds up the 1950s as a golden age from which we have unwisely strayed. Their simplistic solution to the complex set of social issues involved with overwork is to force women back into the home. While we all should support the right of any woman to freely choose home and family as her primary responsibility and source of fulfillment, we need to oppose social and economic policies that either seek to keep women at home or offer them only limited opportunity—low-paying, low-status, part-time jobs—outside the home. Such policies are

not only unfair to women themselves, they are economically harmful to the many families supported by working women.

The idea of a four-day, 10-hour-a-day workweek has frequently been suggested as a superior alternative to the current five-day workweek. But this is no shortening of work hours, and it ignores the fact that many people who do paid work also need to care for home and family when they get home. Lengthening the workday would add considerably to the burden these people already carry.

Finally, we should be wary of programs supposedly aimed at helping working parents and their families when the ultimate outcome is to keep parents at work longer—day care for sick children and corporate day care centers open on weekends to accommodate parents who want to work extended hours, for example.

Now that public attention is beginning to take note of the mounting personal, economic, and social toll of overwork, it is time to treat overwork as a major political and social issue. To accomplish this, the Shorter Work-Time Group of Boston—a multicultural group of women’s and

Annual Vacation Time (in weeks)

	By law	By bargaining agreement
Austria	—	5
Denmark	—	5
Finland	—	5
France	5	5-6
Germany	—	4-5
Greece	4	—
Ireland	—	4
Italy	—	4-6
Netherlands	—	4-5
Portugal	4	—
Spain	—	4-5
Sweden	5	5-8
Switzerland	—	4-5
United States	—	2-4
United Kingdom	—	4-6

Source: “Reduction of Working Time in Europe,” European Industrial Relations Review, No. 127, August 1984: 9-13.

labor activists—proposes a national campaign for shorter work hours that could foster a formidable alliance of unions, community groups, women’s groups, and workers in all fields. To begin this campaign, we propose a 10-point plan that could help heal the problems of overwork in its many



forms and enhance the quality of all our lives—at home, on the job, and in the community.

1. Establish a 6-hour day/30-hour week.

We propose that a 6-hour day/30-hour week be made the new standard for “full-time work.” This new policy would not only give America’s workers more time to devote to our families, friends, and personal and community lives, but would also provide benefits to employers in increased efficiency and productivity, reduced accidents and absenteeism, improved morale, lower turnover, and retention of valuable employees.

So that workers do not suffer financially from reduction of their work-time, we also propose that any reduction in hours be accompanied by a corresponding increase in hourly income—that the six-hour day be compensated by what was formerly eight-hour pay. Since numerous studies have shown

shortened workdays improve productivity, this would not be economically unrealistic.

2. Extend paid vacations for all American workers.

American workers should enjoy what their counterparts around the world take for granted—four to six weeks of paid vacation each year. Vacation should be based on overall years in the work force rather than tied to the number of years a person has been employed in a particular firm.

3. Improve family-leave policies.

The Family and Medical Leave Act, vetoed last year by President Bush, needs broad national support so that politicians would fear reprisals from an angry public if they did not support it. This bill would provide job security for people who have to leave work for extended periods in order to care for newborn children or seriously ill family members.

Although it does not provide for pay during such leaves, paid leave should be an eventual goal.

4. Establish benefits for all workers.

At present, employers of part-time and temporary workers are not legally required to provide health insurance, vacations, pensions, or any other benefits. This is especially insidious because women

A 6-hour day/30-hour week should be the new standard for full-time work.

and many low-income workers are most likely to hold part-time and temporary jobs. Congresswoman Pat Schroeder has introduced HR 2575, the Part-Time and Temporary Workers Protection Act, to rectify this situation at the national level.

5. Discourage overtime work.

Since overtime is detrimental to workers, their families, and the other workers it replaces, we would like to see it eliminated as much as possible. This can be done by mandating the elimination of compulsory overtime and raising the pay rate to double time for voluntary overtime.

6. Support alternative working arrangements.

We encourage business to increase flex-time and other innovative work-time arrangements that enable employees to better meet their personal and family needs.

7. Acknowledge workaholism as a social disorder.

In Japan, they even coined a word—karoshi (death from overwork)—to show this is a serious disease.

8. Promote awareness that our citizens and our nation as a whole will benefit from shorter work-time.

We need a public education campaign to raise public consciousness about the devastating effects that overwork is having on our health, our families, our communities, and especially on our young people. American workers must have more time to care for their families and restore their communities. This does not mean sending women back home. It means giving all people the time and resources to create their own solutions. If we had more time for ourselves, for example, we would probably see a wide variety of child-care options. In some families, women would do this exclusively; in others, women and men would share child-care responsibilities; some people would hire paid help; and others would develop cooperative or community-based programs for their children; many people would take advantage of a mix of options. The same would probably occur with regard to a wide range of family and community issues.

9. Look at how the issue of overwork influences the problems of underemployment and unemployment.

Because of increasing economic pressures, many corporations are developing a two-tier work force: a core of workers who enjoy good salaries, job security, and full benefits, and another group of lower paid part-time and temporary workers who have no benefits or job security.

10. Challenge the assertion that we have to enslave ourselves to our jobs in order to keep America competitive.

Germany, for example, has mandated shortened work hours, and clearly has not lost its competitive edge in the world economy.

This article is excerpted from a paper prepared by the Shorter Work-Time Group of Boston, based on research and discussion by Roz Feldberg, Barbara Neely, Laurie Sheridan, Françoise Carré, Barbara Brandt, and Kamini Maraj Grahame. The group is working to build a national coalition around these issues and welcomes your responses. Contact them c/o 69 Dover Street, #1, Somerville, MA 02144, (617) 628-5558. The complete paper is available for \$6.50 from the above address.

Barbara Brandt, a political organizer and writer, helped put together the 1988 and 1990 The Other Economic Summit conferences (TOES). She is currently writing a book on how to build an economy that meets both human and environmental needs.



"OVERTIME BLUES"

(Theme song for the Shorter Work-Time Campaign)

Lyrics - Walter Ness

Music - Keith Kirkpatrick

INTRO: E7 B7 ($\text{♩} = \text{♩}$)

VERSE 1:

E7 A7 E7 I'VE GOT
ONE FOOT IN THE HOUSE ONE FOOT OUT THE DOOR I'VE GOT
A7 E7 IF I
B7
ON- LY HAD THE TIME I'D LOVE YOU MORE AND MORE

VERSE: MY KIDS ARE COMPLAININ', THEY WANT TO HAVE ME HOME (2X)
② WHEN I FINALLY HAVE THE TIME, THEY WON'T NEED ME ANYMORE

CHORUS:

A E A
IT SEEMS I WAS GI- VEN A LIFE JUST FOR LI- VIN' BUT ALL THE TIME I'M WON- DRIN', WHAT
E A E
AM I WOR- KIN' FOR? LIFE HAD SUCH PRO- MISE, I WISH I HAD IT ALL , IF I
F# B7
ON- LY HAD THE TIME, I'D LOVE YOU MORE AND MORE

VERSE: WHEN I LOVE YOU MY PROBLEMS ARE WATER UNDERNEATH THE BRIDGE (2X)
③ BUT I SPEND TOO MUCH TIME FEELIN' POOR, HOPEIN' I WAS RICH

VERSE: PEOPLE ARE COMPLAININ', WHAT I BUILD DOESN'T WORK
④ THE BOSS IS TELLIN' ME, GET THAT PRODUCT OUT THE DOOR
AND ALL THE TIME I'M WON- DRIN', WHAT AM I WORKIN' FOR
(CHORUS)

VERSE: I'VE GOT ONE FOOT IN THE HOUSE, ONE FOOT OUT THE DOOR (2X)
⑤ IF I ONLY HAD THE TIME I'D LOVE YOU MORE AND MORE

"Overtime Blues" - (c) (P) 1991 by Ness and Kirkpatrick -- All rights reserved.
To order the recorded version (duet by Beth Soyachak and Jimmy Z) or for more information about the Shorter Work-Time Campaign, contact Barbara Brandt, c/o Boston Lyrics, P.O. Box 44-1615, Somerville MA 02144 (phone 617-628-5558).



OVERTIME BLUES

I've got one foot in the house, one foot out the door,
I've got one foot in the house, one foot out the door,
if I only had the time, I'd love you more an more.
My kids are complaining, they want to have me home,
my kids are complaining, they want to have me home,
when I finally have the time, they won't need me anymore.
It seems I was given a life just for living,
but everyday I wonder what am I working for,
life holds such promise, I wish I had it all,
if I only had the time, I'd love you more and more.
When I love you, my problems are water underneath the bridge,
when I love you, my problems are water underneath the bridge,
I spend too much time feeling poor, hoping I was rich.
People are complaining, what I build doesn't work,
my boss tells me, get that product out the door,
and all the time I'm wondering, what am I working for.
It seems I was given a life just for living,
but every day I wonder, what am I working for,
life holds such promise, I wish I had it all,
if I only had the time, I'd love you more and more.
I've got one foot in the house, one foot out the door,
I've got one foot in the house, one foot out the door,
if I only had the time,
if I only had the time,
if I wasn't working overtime,
I'd love you more and more.

Lyrics by Walter Ness
(c) 1991, Performed by
"Awesome Possum"

Can't copy all
pages

THE WHITE HOUSE

May 22, 1995

Kari -

Here's your (excellent) writing
sample back. I've passed your
resumé on to Bob Nash with a
note. Thanks for your interest &
for your graciousness on the phone.
Dale Cune.

Roll Stern

Kari Dohn
4861-A South 28th Street
Arlington, VA 22206

John Brademas

Department of Education

I. Introduction

John Brademas, a former eleven-term congressman from Indiana and long time president of New York University, has been a tireless advocate for excellence in education while pursuing innovative approaches to managing the world's largest private university. In less than a decade, Brademas transformed NYU into a major residential research and teaching institution by recruiting top scholars, nearly doubling the endowment, and almost tripling available student campus housing. He is presently the President Emeritus of the university, having retired last year.

"A gregarious and voluble man," with an "informal, conversational style," Brademas has been called everything from "ultraliberal" to "a flaming moderate" (his words). While in Congress, Brademas was known as "Mr. Arts," "Mr. Education" and the "Supercongressman." Brademas played an integral role for over two decades in the vast majority of legislation concerning elementary and secondary education, higher education, the handicapped, libraries, museums, the arts, and the humanities. During his last four years in Congress, he served as the House Majority Whip, an appropriate position for the energetic, personable, and impassioned Brademas. Brademas endorsed Governor Clinton for President this past fall.

II. Basic Biographical Information

John Brademas was born in the industrial city of Mishawaka, Indiana on March 2, 1927. Brademas's father, Stephen Brademas, was a Greek immigrant and owned a small restaurant near South Bend, Indiana until he was forced out of business by the Ku Klux Klan. Brademas's mother, Beatrice Cenci (Goble) Brademas, was a schoolteacher and the daughter of a school superintendent and college professor. Brademas's parents earned only a modest living during his childhood, but instilled in Brademas a high regard for education and hard work. Brademas often recalls his father's favorite Socrates quote, "Things of value come only after hard work." His father would then add, "If that's all the Greek you ever learn, it's all you need to know."

Brademas attended South Bend Central High School, where he was the star quarterback, member of the student council, and class valedictorian. After graduating from high school in 1945, Brademas enrolled in the Navy's officers' training program at the University of Mississippi. Upon completing his freshman year at Mississippi, Brademas transferred to Harvard University as a Veterans National Scholar, "a head-

Michael Mandelbaum
National Security Council

I. Introduction and Summary

Michael Mandelbaum, "a forty-something, formidably credentialed foreign policy professor," is a prolific expert on foreign affairs and national security issues. Frequently seen sporting his saxophone pin, Mandelbaum has served as a senior policy advisor for Governor Clinton. Although regarded as a "newcomer," who recently gained prominence due to the campaign, Mandelbaum is no neophyte among those in foreign policy circles. He is, without doubt, one of America's Best and Brightest. However, as a lifelong academic, Mandelbaum lacks valuable hands-on experience in government service and international diplomacy.

II. Basic Biographical Information

Michael Mandelbaum was born on September 23, 1946, in Oakland, California. He is the son of David G. Mandelbaum, a professor, and Ruth W. Mandelbaum, an educator. Mandelbaum received his B.A. from Yale in 1968, and an M.A. from Cambridge (King's College) in 1970, where he studied on an Ehrman scholarship. While at Cambridge, Mandelbaum became friends with Governor Clinton, who was at Oxford at the time. Mandelbaum was granted a medical deferment from the draft. In 1974 he received his Ph.D. in political science from Harvard University's School of Government.

Michael Mandelbaum is married to Anne Hebard, a writer, who assists him in the writing and editing of his many published books and articles. Michael Mandelbaum is Jewish.

III. Professional History

Upon completing his doctorate in 1974, Michael Mandelbaum remained in Cambridge and became an assistant professor of government at Harvard. Four years later, Mandelbaum was promoted to associate professor. During his time at Harvard, Mandelbaum published the book, Nuclear Weapons and World Politics: Alternatives for the Future in 1977 (along with David Gompert, Richard Garwin and John Barton), and The Nuclear Question: The United States and Nuclear Weapons, 1946 - 1976 in 1979.

Morton Abramowitz

Central Intelligence Agency

I. Introduction and Summary

Morton Abramowitz, one of Washington's top diplomats, has amassed one of the most outstanding records in the foreign service. Referred to by the New York Times as "the archetype of the nonpolitical foreign service officer," Abramowitz has served both Democrat and Republican administrations with distinction. He is particularly viewed as one of the best Asian specialists in the country. Commonly referred to as a liberal, Abramowitz is noted for his "can-do pessimism" and his ardent belief in the promotion of democracy and human rights abroad.

Abramowitz's distinguished diplomatic career culminated in an ambassadorship to Turkey in the mid-1980's. Before that, he was assistant secretary of State for intelligence, and earlier, the ambassador to Thailand, where he is remembered for his Cambodian relief efforts. Abramowitz was also Reagan's chief negotiator for the conventional arms talks in Vienna. When Abramowitz retired from the State Department last year after a 31-year career in the foreign service he became the president of the Carnegie Endowment for International Peace, a prestigious Washington think tank.

II. Basic Biographical Information

Morton I. Abramowitz was born on January 20, 1933 in Lakewood, New Jersey. He is the son of Mendel and Dora (Smith) Abramowitz. Abramowitz received his A.B. from Stanford University, where he was a member of Phi Beta Kappa, and an M.A. from Harvard. He speaks fluent Mandarin. Abramowitz married Sheppie Glass on September 13, 1959. Sheppie also has had a career in foreign policy. She served four years at the State Department's Bureau of Refugee Policy until 1989. The Abramowitz's have two children, Michael and Rachel. Morton Abramowitz is Jewish.

III. Professional History

Abramowitz is a veteran career foreign service officer who has served with distinction under both Democratic and Republican administrations in the State and Defense Departments, as well as abroad. He joined the foreign service in 1960 as an economic officer specializing in Chinese Affairs, serving as a vice consul in Taipei. From 1963-66, he was a political officer in the U.S. consulate in Hong Kong, then served in the Bureau of Economic Affairs until 1968. Abramowitz was a special assistant to the Under Secretary of State from 1969-71, before moving to the Department of Defense, where he served as an

April 2, 1993

FCC RELAXES FINANCIAL INTEREST AND SYNDICATION RULES

The FCC announced yesterday the lifting of many of its financial interest and syndication rules ("finsyn"), allowing commercial TV networks to own a financial interest in the production of prime-time shows for the first time since 1970. This decision could have great implications for the future shape of the television industry. The FCC's ruling was driven by a decision by a U.S. court of appeals in the fall of 1991 that held that the FCC had not justified a more mild easing of its finsyn restrictions. The court ordered the FCC to reconsider its then-in-place finsyn regulations.

The FCC's new rules include the removal of all restrictions on network acquisition of financial interests and syndication rights in network programming and the elimination of the 40 percent cap on network in-house productions. The FCC also lifted the restrictions on network purchase of foreign syndication interests or rights in either off-network or first-run programming.

Under the new regulations, emerging networks, such as Fox Broadcasting Company, are exempt from all restrictions except reporting requirements, which are triggered when a network provides 16 or more hours of prime time programming per week. In addition, the prohibition on active network syndication is extended to all domestic syndication, regardless of whether a program has been produced in-house or not. The amendments do retain, however, all restrictions on first-run domestically syndicated programming, such as "Oprah" and "Donahue."

The FCC did not, however, decide to allow the networks to directly syndicate programs. Instead of selling series reruns (including those 100%-owned) to individual stations, the networks must let an outside company do the selling and then share in the proceeds. Nonetheless, the networks may get complete relief from the syndication restrictions in two years if a federal court in Los Angeles lifts a series of consent decrees the networks reached with the U.S. government in 1970.

The FCC's action yesterday allows ABC, CBS, and NBC to start negotiating for ownership stakes in the programs supplied by Hollywood studios and independent producers, as well as a share of the millions of dollars in rerun profits from those shows. The new rules additionally clear the way for the networks to merge with or acquire some of the big movie studios. The FCC's new finsyn rules, however, will most likely be appealed in court.

Additional Information

For further information, please contact John Beisner, John Welch, Brian Anderson or Kari Dohn in the Washington, D.C. office of O'Melveny & Myers, (202) 383-5300 or Marc Hanrahan or Tony Morrison in the New York office of O'Melveny & Myers, (212) 326-2000.

April 2, 1993

FCC ADOPTS NEW PROGRAM ACCESS RULES

The FCC announced yesterday the adoption of new rules prohibiting unfair or discriminatory practices in the sale of satellite cable and satellite broadcast programming. The new rules aim to increase competition and diversity in the multichannel video programming market, as well as foster the development of competition to traditional cable systems.

As a result of the new rules, competing multichannel video program distributors, such as wireless cable, SMATV, Direct Broadcast Satellite, and C-Band Home Satellite Dish program distributors, will be able to complain to the FCC if they find discriminatory price differences or discriminatory program distribution practices by cable programmers. When filing a discrimination complaint, multichannel video program distributors will not be required to show harm prior to filing a complaint. Rather, harm will be presumed unless proven otherwise by a cable programmer in response to a specific discrimination complaint. Those filing "frivolous" complaints will be fined.

Cable programmers can respond to price discrimination complaints and justify price differences based on costs, legitimate economic benefits attributable to the number of subscribers, creditworthiness, offering of service factors, or any combination of these factors. In addition, cable programmers will be permitted to show how their prices to multichannel video program distributors compare with those charged to

similarly situated distributors. The new FCC rules prohibit nonprice discrimination such as refusal to negotiate, sell programming or offer particular nonprice terms.

To ensure that all entities with potential incentives to engage in anticompetitive conduct are covered by the new rules, the FCC adopted a fairly strict attribution standard for assessing vertical integration. Attributable interests will include all voting or nonvoting equity interests of 5 percent or higher; the single majority shareholder exemption and limited partnership insulation criteria used in the broadcast attribution rules will not apply.

Under the new regulations, limits on "unfair methods of competition" apply to all cable operators and programmers, not only to those that are vertically integrated. Moreover, a complainant is required only to show that vertical integration occurs anywhere, not just in the complainant's specific market. Limits on exclusive contracts and undue influence apply only to vertically integrated operators and programmers. Exclusive arrangements between cable operators and vertically integrated programmers are "illegal per se."

Additional Information

For further information, please contact John Beisner, John Welch, Brian Anderson or Kari Dohn in the Washington, D.C. office of

United States Senate

WASHINGTON, DC 20510

February 22, 1995

The Honorable Bill Clinton
President of the United States
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear Mr. President:

We are writing to state our strong support for the principled position the U.S. has taken to secure enforcement of intellectual property rights in the Peoples Republic of China.

American industries report losses of approximately \$1 billion for each of the last two years in China due to China's piracy of intellectual property. Not only is the dimension of this piracy enormous and growing, it is also blatant and in many instances condoned by the Chinese government.

Without adequate enforcement of intellectual property laws, American firms will not only be blocked from the market in China, but will have to compete here at home and throughout the world against pirated goods. This will put our legitimate industries at a severe disadvantage, since the pirates can avoid the enormous time and expenses involved in the creative process as well as the requirement to compensate intellectual property owners.

It is important for China and the international economic order that China play by the rules. Permitting China to participate in the global economy as an international pirate sets back the processes of China's reform and integration in the community of nations.

The intellectual property standards at issue in these negotiations are clear, reasonable and consistent with international standards. China has had ample time to comply with these international standards. If the United States and China cannot reach an acceptable agreement by February 26th, the United States must follow through with appropriate action.

Again, we appreciate your strong stand in these negotiations, and urge your continued fortitude.

passage on a bill that is probably improved upon.

BRINGING MICRON TO BUTTE

Mr. BAUCUS. Mr. President, I rise today to pay tribute to the citizens of Butte, MT, and other Montana communities, in their efforts to bring Micron Technology, Inc., a major U.S. semiconductor manufacturer, to Montana.

Butte-Silver Bow County is a finalist for a \$1.3 billion Micron manufacturing plant. The plant would create 3,000 to 4,000 jobs with an annual payroll of \$200 million. Good paying, high technology jobs that would bring a better standard of living to both Butte and Montana. Micron would also propel Butte forward on its journey as a major U.S. technological center.

The possibility of Micron locating to Montana has banded the citizens of Butte together—in fact, the entire State together—in a very inspiring way. I wish you could see it, Mr. President. It has been exciting and heartening for me to experience and be part of the enthusiasm and vigor by which Montanans have gone after this golden opportunity.

For those of you who have never been to Butte—and I guess that would include most of you—Butte is truly a unique, all-American city. It is known throughout Montana as the Can Do City, and if ever a city in this country could do it, it is Butte.

There was a time, after the Anaconda Co. shut down its mines, that Butte was believed to be destined to join the many ghost towns dotting the Rockies. Yet, through hard work, loyalty, determination, and a very strong entrepreneurial spirit, the people of Butte-Silver Bow fought their way back.

They have made Butte a national center for the development, testing, and application of revolutionary environmental technologies. They are making the Port of Butte a major hub for intermodal shipping across the Nation. And they created a top educational institution—Montana Tech—voted by college presidents in a U.S. News & World Report poll as the top-ranked science program in the United States among smaller comprehensive colleges. Newsweek has described Butte as the "bright spot amidst the tumbleweed" in the West and commended the community for "engineer[ing] the most dramatic turnaround."

See this poster behind me? The local newspaper in Butte printed it up so thousands, and thousands, of Butte citizens could hang it in their windows, displaying to Micron—and Micron, I hope you are watching this—their enthusiasm and support. And see this stack of papers? They are editorials and articles from all over Montana, written in support of Micron. Editorials have been pouring in on a daily basis.

Take the editorial from the Missoulian, for example. As the editorial board penned:

The people of Butte are survivors proud and passionate about their community . . . If Micron's managers have any yearning to be adored and supported by an entire community in their every endeavor, they will build in Butte.

Similarly, the editors of the Independent Record in Helena write, "it is difficult to think of a town in the country that deserves as much admiration as Butte, a city that doesn't know how to quit."

And the Billings Gazette board stated last week that "Butte, MT, can offer everything that Micron seeks and more. It also offers an intense desire to attract companies such as Micron, to treat them well and to provide incentives for relocation."

I think Daniel Berube, chairman and CEO of the Montana Power Co. in a guest editorial in the Montana Standard sums it up right: Butte is "a good place to live, a good place to work, and a good place to raise a family." I strongly share his belief that there cannot be a better matched city for Micron than the city of Butte.

Like Butte, Micron based its phenomenal growth and success on the Western ideals of working hard and thinking big.

Like Butte, Micron has become a leader in its field, serving as a shining light for the rest of the Northwest.

And like Butte, Micron is preparing itself for the 21st century, while at the same time, maintaining the unique quality of life and scenic location found only in Montana and the Northwest.

I cannot think of a better home for Micron than in Butte. And I commend the community and the State of Montana in their efforts to deliver this message to Micron.

I yield the floor.

PROCEDURES FOR REMOVAL OF
DUTY-FREE TREATMENT UNDER THE
U.S. GSP PROGRAM

by

KARI DOHN
AND GARY N. HORLICK
O'Melveny & Myers
Washington, D.C.

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Appearing in LAWS OF INTERNATIONAL TRADE

1993

James E. Burke

Department of Health and Human Services

I. Introduction and Summary

James E. Burke, past chairman of the Johnson & Johnson health care conglomerate, and head of the Partnership for a Drug Free America, has been called a "man with a mission in health care." Referred to as "a legend" and "one who continually energizes the system," Jim Burke is best known for his ethical and decisive handling of the Tylenol deaths in the early 1980's, and more recently, for his leadership in organizing the largest pro bono educational campaign in the history of the United States.

A man for whom corporate ethics are said to be an obsession, Burke is particularly revered by the business community, and is often cited by top CEO's as their "most admired businessman in America." During his chairmanship, Burke effectively built Johnson & Johnson into a massive international health care conglomerate and expanded the company's assets from \$2.5 billion to over \$9 billion through adventurous risk taking and diversification. Although Burke has not had a career in government service nor held a public office, Burke has served his country in an exceptional manner. His exhaustive list of pro bono activities, superb corporate leadership, excellent managerial skills, and dedication to a healthier America makes Burke an inspiration to many and a solid candidate for Secretary of HHS.

II. Basic Biographical Information

James Edward Burke was born in Rutland, Vermont on February 28, 1925, and is the son of James Francis, an insurance salesman, and Mary (Barnett) Burke. Burke spent his childhood in the hamlet of Slingerlands, New York with three other siblings -- a brother who eventually became the president of Capital Cities/ABC, a sister who is now an attorney in New York, and another sister who was the first woman to hold the position of vice president of sales at Avon. The four Burke children were encouraged to debate and argue at the dinner table, spurring Burke's ardent belief in creative conflict as the mode to innovation. "The dinner table was always a very stimulating place to be," Burke has stated about his upbringing.

Dubbed the "happy warrior" in his high school yearbook, Burke served as a naval officer in World War II. After commanding a landing craft tank in the Pacific, Burke received his B.S. in Economics from Holy Cross College in 1947 and his M.B.A. from Harvard Business School, where he was a member of the infamous class of '49, referred to as the "class the dollars fell on." The class of '49 has been featured in the book, Harvard

S -

Please
send to
Bob Nash
✓ 5/22/55

THE WHITE HOUSE

May 22, 1955

Bob -

I seriously considered this woman
for the Deputy slot in my office,
but ended up choosing someone inside.
She asked that I forward her resume to
you & I'm pleased to do so. She strikes
me as very able... smart, good writer, high
energy. And she has great References, *TDR*

KARI E. DOHN
4861-A South 28th Street
Arlington, Virginia 22206
(703) 578-1378
(202) 224-6728

EMPLOYMENT

- 3/94 - **Office of Senator Max Baucus**, Washington, D.C.
Legislative Counsel for Finance Committee on welfare and health care issues and Trade Counsel to Chairman (now former Chairman) of Senate International Trade Subcommittee. Chief negotiator with Administration and Congressional offices for Uruguay Round implementing legislation. In charge of organizing and coordinating Trade Subcommittee hearings. Regularly brief and prepare Senator for Finance Committee hearings, executive meetings, and press conferences; speechwriting; advise Senator regarding floor votes.
- 10/91 - 3/94 **O'Melveny & Myers**, Washington, D.C.
Associate, corporate and international trade litigation; regulatory law; associate in charge of communications law issues.
- 4/88 - 6/88 **Orion Satellite and Telecommunications**, Washington D.C.
Analyst in international telecommunications and satellite issues.
Composed weekly reports to various corporate executives regarding legislative, executive and private policy development in the field of international trade and telecommunications. Monitoring of legislative and executive policies.
- 9/87 - 4/88 **Telemation Associates**, Washington, D.C.
Analyst in international trade and telecommunications. Monitored foreign and domestic trade policy; conducted foreign market entry strategies; coordinated seminars for corporations on how to do business in Japan.
- 6/86 - 8/87 **Japanese Ministry of Foreign Affairs**, Seattle, WA.
Speech writer for the Consul General of Japan. Also prepared daily briefings.

EDUCATION

- 5/88 - 6/91 **Duke University School of Law**, J.D. with Honors; L.L.M., International Law.
-- Articles Editor, Duke Journal of Comparative & International Law;
-- United States S.E. Regional Champion, Jessup Cup Moot Court;
-- Alona Evans Award, Jessup Cup National and International Finals;
-- Graduated in top 15% of class (est.) while pursuing concurrent degrees;
-- Duke law grant to study international law in Copenhagen, Denmark.
- 9/82 - 12/85 **Stanford University**, A.B., International Relations.
-- Additional studies at Universidad Nacional Autonoma de Mexico, Mexico City and University of Edinburgh, Scotland (Honors Program)

ADDITIONAL EXPERIENCE

- 8/93 - **Co-Chair**, Public International Law Committee, D.C. Bar Association.
- 11/92 - 1/93 **Clinton/Gore Transition**, Washington, D.C.
Cabinet selection vetting project for Secretary of State Warren Christopher. Wrote reports to President-elect Clinton and conducted background checks on possible Cabinet nominees.
- 12/91 - 11/92 **Clinton for President, '92**, Washington D.C.
Assisted Warren Christopher and participated in the V.P. Search Committee in the V.P. search process; assisted with the preparation of the briefing book on international trade issues; Volunteer State Issues Adviser (wrote weekly briefings to the Little Rock campaign office on Pennsylvania for 3 months).
- 11/87 - 3/88 **Al Gore for President, '88**, Crystal City, Virginia.
Volunteer assistant to the National Press Secretary.

PUBLICATIONS

"Procedures for Removal of Duty-Free Treatment Under the U.S. GSP Program, "
Business Laws Inc. (with Gary Horlick).

Also have presented papers at seminars on such topics as politics in the 104th Congress; Chile's accession to the NAFTA; GATT dispute settlement; trade and the environment; and export control issues.

KARI E. DOHN

Kari Dohn, currently Legislative Counsel for Senator Max Baucus (D-MT) for international trade, international economics and finance issues, was born and raised in Washington State. She received her A.B. in International Relations from Stanford University in 1986, and a J.D. with honors and L.L.M. in International and Comparative Law from Duke University School of Law in 1991. While at Duke, Ms. Dohn served as the Articles Editor for the Duke Journal of Comparative and International Law and was the recipient of the Alona Evans Award at the international finals of the Jessup Cup Moot Court Competition. Ms. Dohn has also studied at the undergraduate and graduate levels in Edinburgh, Scotland, Mexico City, Mexico, and Copenhagen, Denmark.

Prior to law school, Ms. Dohn served as the speech writer for the Consul General of Japan in Seattle, Washington from 1986-87 and then worked as a consultant in international trade and telecommunications issues in Washington, D.C. from 1987-88. Following law school, from 1991-94 Ms. Dohn practiced international trade and regulatory law with the D.C. office of O'Melveny and Myers. She has worked on several political campaigns, and most recently worked for the Clinton transition team on the selection of President Clinton's cabinet.

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
5/22

Leon
Eustine

Laura

Pls read & discuss
w/ Mr. ———
Bo

PETER LYNCH Outsmarting Wall Street

MAY 1995
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CANADA \$3.50

th
INTELLIGENCE

ALAN GREENSPAN: PLAYING GOD AT THE FED

By Michael Lewis

PLUS

BALANCING YOUR FUND PORTFOLIO
HOW DOES YOUR 401(K) PLAN RATE?
SIZING UP THE TW-STOCK PICKERS



Beyond
ECONOMICS

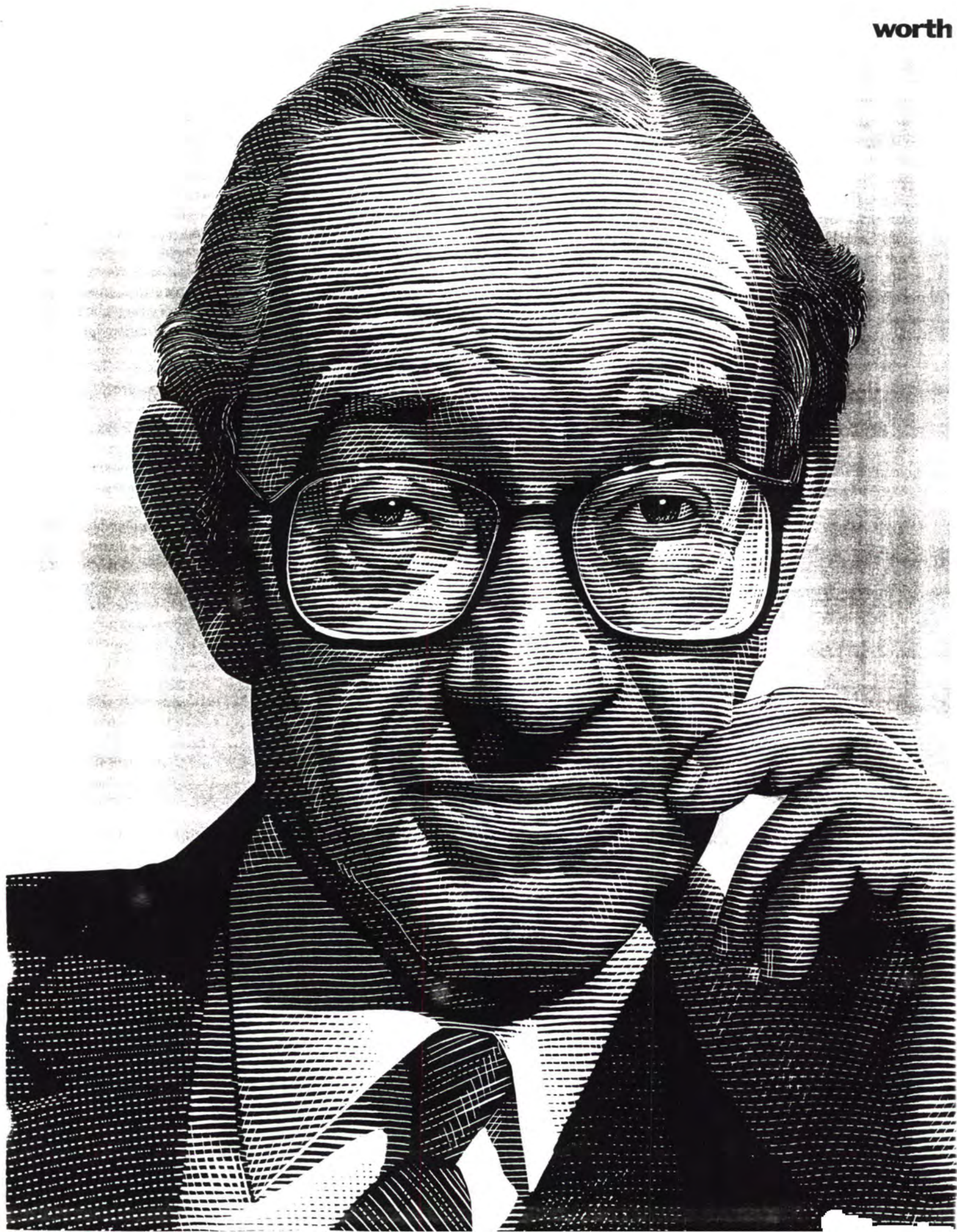
Beyond
POLITICS

Beyond
ACCOUNTABILITY

by Michael Lewis

ILLUSTRATION BY MARK SUMMERS

ALAN GREENSPAN SEEMS TO BELIEVE WE SHOULD ALL JUST BU
OUT AND LET HIM RUN THE WORLD'S ECONOMY. HIS MENTOR A
RAND WOULD APPROVE, BUT OTHERS FIND IT MORE TROUBLI



IT'S HARD TO IMAGINE ANYONE MORE UNINTENTIONALLY DISRUPTIVE THAN ALAN GREENSPAN AS HE ENTERS A CROWDED ROOM. FROM THE MOMENT THE CHAIRMAN OF THE FEDERAL RESERVE BANK WALKS THROUGH THE DOOR AND BLINKS INTO THE TELEVISION CAMERAS, HE LOOKS LESS LIKE A POWER BROKER THAN A CLERK WHO'S BEEN DRAGGED FROM SOME DINGY VICTORIAN COUNTING HOUSE. THE CLOSER

he draws, the less plausible he seems as a center of attention—and yet the more clearly he is just that. Never mind that his skin tone is a pale gray; that his bald spot resembles a prelate's cap; that he wears the sort of plain blue suit that anyone who has even the slightest flair knows to avoid. Never mind the large, cartilaginous ears that would suggest the possibility of human flight if only the body beneath were not so unflappable. When Alan Greenspan walks into a room, the room changes.

It's difficult to believe until you see it, but even U.S. senators are distracted by his presence. When he shows up for a congressional hearing, as I watched him do one morning this January, conversations stop cold. A newly elected Republican primps his hair and beats a path from the dais, hoping to chat with a man who will likely be the linchpin of our global economy as it enters the next millennium. The crowd cranes to see a man who, more than anyone but their own employers and spouses, has his hand in their wallets. All this fawning merely makes Greenspan seem even less comfortable—which is saying something. You get the feeling he wishes he could be accounted for without having to be present.

It is the first day in the reign of the new chairman of the Senate Banking Committee, Alfonse D'Amato of New York. Greenspan has been called upon to tell the senators how a small-time public servant in Orange County, California, could have blown \$2 billion in the spectacular collapse of the bond markets

last year. At the sound of the gavel the hearing begins and the Fed chairman assumes his testimonial pose: He slouches in his chair and leans his nose heavily on his left index finger, as if it were the only thing preventing him from sliding to the floor. I've leafed through perhaps 40 different photographs of Greenspan testifying before congressional committees. In more than half of these he is propping himself up by the nose.

For the next hour, Greenspan listens almost motionless as senators stake out a range of positions on the need for more regulation of the markets. At last his own turn comes at the microphone. For a moment the chamber stops dead, as if someone is about to say something truly important.

But then Alan Greenspan speaks.

The typical Greenspan sentence runs on for a hundred words or more, with three or four switchbacks, and ends up several miles from where it started. You try to follow, but the words simply vanish as soon as they are spoken. All that sticks in your memory are weird fragments filled with clauses, spoken in the raspy tone of a Catskills comedian: "We will very importantly find that we are not capturing the rapidity of change which is happening, which is a conse-

quence...." That kind of thing. Flashes of meaning are obscured by these giant multi-clause swells, like small boats in high seas.

The ability to talk forever without saying what's on your mind has long been a job requirement for the Federal Reserve chairman, so no one pays this much heed. Even Greenspan's friends will tell you his diction is merely a clever ruse. They say things like "You know that funny way he talks, well, that's just a put-on, of course." But it isn't. Well before he arrived in Washington, Greenspan spoke in code. "You had to listen to him really hard to figure out what the hell Alan was talking about," says Nathaniel Branden, a friend and intellectual sparring partner of Greenspan's from the early 1950s. "Instead of saying, 'I'm going to get the keys in the car,' he'd say, 'One would think that inasmuch as the keys are located in the automotive device, perhaps it would be advisable if one were to leave by the back door, find one's way to said device ...' Compared to then, he is a model of simplicity and clarity today."

The effect of this impenetrable language on the Senate hearing is almost immediate. You can see that the senators think their inability to follow him is their fault—not his. Christopher Dodd of Connecticut begins to squint. D'Amato leans back and asks a pretty young woman to fetch him a cup of coffee. Paul Sarbanes of Maryland, who promised during his last campaign to end the Federal Reserve as we know it, slowly sinks in his chair. Concentration flickers, then dies. In less than half an hour Greenspan has numbed any interest in Orange County right out of the United States Senate.

And so by the time the Fed chairman says something worth hearing, nobody much is listening. Referring to the disastrous advice given

by a Merrill Lynch broker who sucked nearly \$100 million in commissions from Orange County, Greenspan declares that both brokers and their customers should be "unburdened by any perceived need to take into consideration the interest of their counterparties." It sounds dull enough—until you realize what he's driving at. Greenspan expressed this same radical belief more clear-



ly during the 1960s in a book of essays assembled by his mentor, the novelist and free-market zealot Ayn Rand. "It is precisely the greed of the businessman, or, more appropriately, his profit-seeking, which is the unexcelled protector of the consumer," wrote Greenspan. Since greed is good, in short, let's not worry too much about its uglier consequences.

The senators, few of whom would endorse such a sentiment, nod right along—as does the chairman of the Securities and Exchange Commission, whose very job it is to make sure that Merrill Lynch brokers consider the interest of customers. Alan Greenspan is subverting the hearing's mission *without anyone noticing*—and giving everyone the impression that he had nothing to do with the fallout from the first genuine hog-stomping financial panic since the stock market crash of 1987.

But in truth, the Orange County fiasco was partly Greenspan's own doing. In raising interest rates last year to fend off an inflationary bogeyman that may or may not have existed, his Federal Reserve collapsed the bond market by mistake. That's what made life hell for the aptly named treasurer of Orange County, Robert Citron—and for a bunch of other bond junkies besides. What's more, Greenspan had predicted that no such disaster would happen. In a private meeting in January 1994, he told Senator Sarbanes the bond market would fall maybe two or three percentage points if interest rates were raised but would recover within a few weeks. He had a highly complex Fed study to support it, he said.

But if such a study existed, Greenspan never handed it over—and he never mentioned it again. (Greenspan declined to be interviewed for this story.) Two weeks later the Fed hit the brakes and the bond market tanked. It was a good, old-fashioned panic: First the hedge funds, then the Wall Street bond traders, then the mutual funds sold their bond positions. The bond market still hasn't recovered. Greenspan struck a pin into the air to pop a small balloon but sank a zeppelin instead, apparently without even knowing it had been up there. A year later several thousand people on Wall Street are now more literally on the street; some of the world's biggest investors have flirted with ruin; hot money has flowed out of the U.S. bond market to wreak havoc in Mexico; and a formerly rich county in California faces bankruptcy.

That no one has presented the Fed with a bill—or called on it to explain the miscalculation—is a tribute to Alan Greenspan's growing freedom to make the world conform to his own peculiar sense of how it should be.

THERE IS A TENDENCY IN WASHINGTON for peoples' pasts to dry up and blow away. The assumption is that once you've run the initial gauntlet of electoral politics—or Senate confirmation—everything prior to your

American 1950s. It started when Mitchell got a call from a friend asking her if she'd like to be fixed up. "She said, 'I know an unusual man, and I wonder if you might be interested in meeting him.' 'Unusual how?' I said. 'He's very, very intelligent,' she said. 'It's hard to find a girl for him.'"

A few days later Greenspan called Mitchell. "He was unusual," she recalls, laughing. "First, he talked to me for about half an hour before he asked me out. Then, instead of just asking me out, he asked me which of three



Alan Greenspan in the early 1970s. Left: Ayn Rand, patron saint of laissez-faire capitalists, in 1948.

arrival ceases to matter: You've passed inspection and are ready to play the Washington game. In many cases this may even be true, but not in Greenspan's. His ideas and beliefs have not been much shaped by his present surroundings. Indeed, the events that molded the Fed chairman occurred before he ever thought of entering the government bureaucracy. If you wish to understand what's running through the brain of the most powerful man in America, you need to dig way back into the past. To 1952, to be precise, the year Greenspan met and married his first and only wife, a lithe blond painter named Joan Mitchell.

It was one of those whirlwind mistakes that you don't readily associate with the

kinds of activities I would prefer." She doesn't remember the two options she rejected, but a concert at Carnegie Hall was her choice—followed by marriage, followed by intense evening conversations with a group of Mitchell's close friends who had gathered as a fanatical salon around Russian-born author Ayn Rand.

The group, known to themselves as the Collective and to Rand as the Class of '43—after the year her breakthrough novel, *The Fountainhead*, was published—consisted of Rand and her husband Frank; Nathaniel Branden and his wife Barbara, who was a childhood friend of Mitchell's; Leonard Peikoff, who now runs something called the Ayn Rand Institute; Harry Kalberman, who

became Greenspan's broker, and his wife Elaine; and Allan Blumenthal, a psychiatrist who would marry Joan Mitchell after she and Greenspan agreed they had little in common and had their marriage annulled after less than a year. For more than a decade the Collective convened every Saturday night in Rand's apartment on 36th Street in New York City to discuss whichever novel Rand was working on.

This would appear to be the last time that Greenspan formed a circle of truly intimate friends. More to the point, it would be the last time he was persuaded that another way of looking at the world was superior to his own. The new worldview he adopted was that of Rand, who had cast herself not so much as a novelist but as a thinker who proselytized her views through novels. Her philosophy, crudely put, made a kind of religion of self-interest. But Rand's message couldn't be boiled down completely to self-interest.

It was more like: The self-interest of a handful of pure, productive spirits is good, while those who leech off them are repulsive.

The hero in an Ayn Rand novel—with whom all in the Collective identified—was the embodiment of this philosophy. He forsook ordinary rewards such as degrees and money to follow the True Path in an industry of their choosing. The many evil characters who opposed him did so in the name of a greater good, such as equality, but their sham altruism was a cover for barren inadequacy. Rand's villains included government officials, academics, civic leaders, writers, union bosses—a conspiracy of mediocre elites, united by their exploitation of Randian heroes such as engineers, inventors, railroad builders, and steel barons. The masses, meanwhile, were little more than sheep to be led.

What Rand had to say was interesting, but 40 years later it is not nearly

so interesting as the group that sat at her knee. Greenspan had entered into "a very, very spiritual subculture," says Nathaniel Branden. "It was like sitting in on the dawn of time," recalls Harry Kalberman. "We would take whatever Ms. Rand had written and read it. And she would watch our faces—to see whether we got it." They got it, all right. After a few months, for example, it seemed logical for Rand and Branden to announce to their spouses that they planned to have an affair, just because it served their self-interests.

But while he shared with the Randians an eagerness to subordinate his life to an idea,



Alan Greenspan, a man for all presidents (clockwise from top left): With Gerald Ford in 1974; with Bill Clinton and Treasury Secretary Lloyd Bentsen in 1993; with George Bush and White House chief of staff John Sununu in 1991; with first political patron Richard Nixon in 1974; at the 1993 State of the Union address with First Lady Hillary Clinton and Tipper Gore, wife of Vice President Al Gore.

Greenspan's ideas at the time were the antithesis of theirs. When he joined the Collective, says Branden, Greenspan "announced that logic was empty, the senses were untrustworthy, and degrees of probability are all that is possible. 'I think I exist,' he stated, 'but I can't be certain. In fact I can't be certain that anything exists.'" He sounded just like a villainous academic in one of Rand's books. But bad as this was—"How can I talk to someone who doesn't know whether he exists?" Rand once griped to Branden—Greenspan arrived with a corollary attachment that was even worse.

He admired John Maynard Keynes.

GREENSPAN HAD BEEN BORN IN THE Washington Heights section of Manhattan in 1926, the year that a Yale economist named Irving Fisher first identified the trade-off between inflation and unemployment. When Greenspan was four, his father, an economist, divorced his mother, who raised him alone in near-poverty that was heightened by the most dramatic economic collapse in American history. Thus straitened, Greenspan attended Washington Heights High School, where he preceded Henry Kissinger by several years. He spent a year at the prestigious Juilliard School of Music and briefly played the tenor saxophone in a jazz band. He was enough of a trained musician that when he whistled

along with a tune, he could follow a minor theme rather than the main melody. But he was enough of a born economist that other members of the Henry Jerome Band remember him for preparing their tax returns.

When Greenspan folded his music tent—he'd decided he'd never truly excel as a musician—he went to study at New York University's School of Commerce. There he commenced his formal education for his current job. And there, well before it was fashionable, he discovered Keynes, an economist who had come to prominence for his analysis of what, for Greenspan, had been an intensely personal event: the Great Depression.

Keynes's take on why Greenspan had grown up poor was, broadly, that free markets are unreliable. Much as panic can feed on itself in a financial market, Keynes said, pessimism can feed on itself in an economy. Some external shock causes people to fear a downturn; they respond by buying less than usual; the decline in consumption causes a further slump; and this in turn leads people to buy even less. Such a cycle caused the Depression, said Keynes—and the only way to kick the economy out of its funk was for the government to step in and stimulate it, with deficit spending if necessary. What the money was spent on didn't really matter to

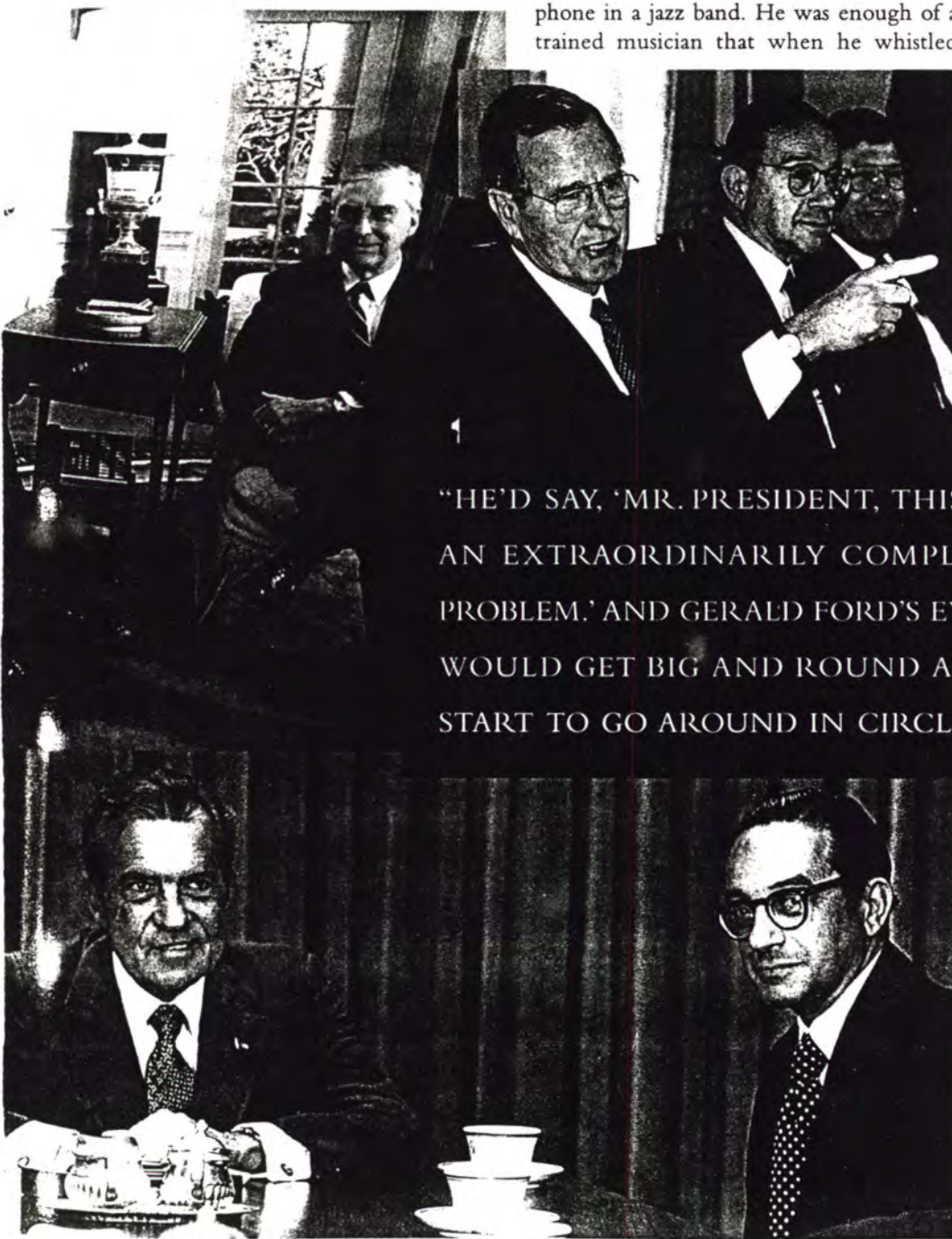
Keynes. He famously suggested that men might be paid to dig holes and fill them back up, or that the authorities might hide bottles of cash to be found by young boys—for whom Keynes had a taste.

After graduating from NYU in 1949, Greenspan started, then quit, Columbia University's Ph.D. economics program. Although identified by his professors as a brilliant student, he was unable to afford the

tuition and instead took a dull job at the National Industrial Conference Board, a propaganda outlet for big business. After their marriage in 1952, Greenspan and his wife began living in a small apartment in Forest Hills on \$4,000 a year. He was by now an ambitious young man with little prospect of success: The sought-after men of the era were well-rounded and sociable leaders of men; clearly that was not the antisocial, maladroit Greenspan. "Alan did not have intimate relationships," says Nathaniel Branden. "My feeling is that the personal realm probably provoked anxiety in him."

Indeed, if you ask anyone who has known Alan Greenspan, they all say the same thing:

"HE'D SAY, 'MR. PRESIDENT, THIS IS AN EXTRAORDINARILY COMPLEX PROBLEM.' AND GERALD FORD'S EYES WOULD GET BIG AND ROUND AND START TO GO AROUND IN CIRCLES."



The man finds his deepest happiness in numbers. The statistics of the immediate economic past resonate in his mind like the motif of some secret symphony—they constitute a truth he understands but others do not. “Saturday mornings he loved to wake up and study numbers,” says Joan Mitchell Blumenthal. “He loved being in control of all these numbers.” The young man was plodding toward a reputation as an economic analyst, of the steel industry in particular.

After an inauspicious first meeting, Rand referred to Greenspan as the Undertaker. “That,” says Barbara Branden, “was because of the gloom that emanated from him.” Branden’s ex-husband, Nathaniel, recorded his own first impression as follows: “He was tall and solidly built, with black hair, dark horn-rim glasses, and a propensity for dark, funereal suits. He was somberness incarnate, looking chronically weary, resigned, and unhappy.” But the Collective took a liking to Greenspan anyway and convinced him that the world wasn’t as ill-disposed to him as it seemed.

Rand’s views redefined Greenspan’s universe, painting him as a pure individual trying to stay afloat in a sea of mediocrity. In his memoir Nathaniel Branden recalls Greenspan’s enthusiasm over *The Fountainhead*—and his thrill at being invited to read the mythic *Atlas Shrugged* as it was being written. “He came alive with an excitement no one had ever seen in him before. Shyly and reluctantly he began to yield to the romantic side of his nature.... He rarely voiced his feelings about anything of a personal nature, and his language tended to be detached and passive. Complimenting Ayn on some passage in the novel, he might say, ‘On reading this ... one tends to feel ... exhilarated.’ Or ‘The reader is inspired here.’ But occasionally he would break down and exclaim, ‘Ayn, this is incredible. No one has ever dramatized what industrial achievement actually means as you have. What you’ve written is a hymn to human intelligence. This is fantastic.’”

Greenspan quickly revised his Keynesian

view of what the government should do. He adopted an objectivist (as Rand called her creed) love of free markets, a deep suspicion of do-gooders, and a righteous hatred of the state apparatus. Greenspan has said that Rand “demonstrated to my satisfaction that [laissez-faire capitalism] was not only practical but moral.” This was his critical break

lective to become more closely allied with them. “It became evident to me that they were a cult,” he now says, “or that there was a cultlike atmosphere about them.”

ONE DAY IN LATE 1967, OR PERHAPS early 1968, while walking down Broad Street in lower Manhattan, Greenspan

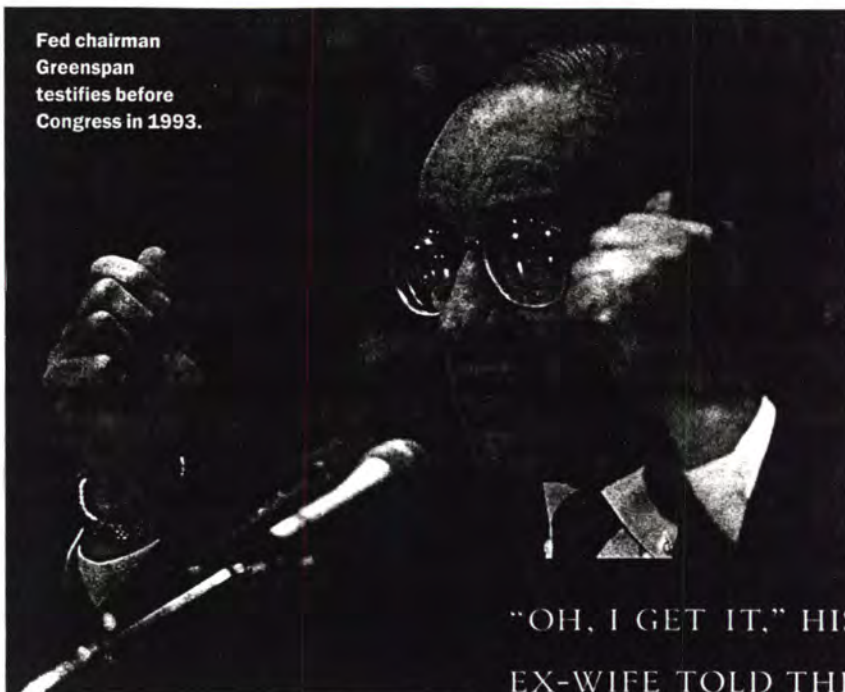
bumped into the manager of his old jazz band, Leonard Garment, who was now an advisor to the presidential campaign of Richard Nixon. (Garment would become better known as Nixon’s law partner and a star in the Watergate hearings.) The two friends lunched at the Banker’s Club, and before long the self-certain Randian found himself in an office with Nixon himself. “I’m not sure I was even there,” says Garment, “and if I was, I wouldn’t have understood what Alan was saying to Nixon. He talked Nepal Katmandu language. But after the meeting Nixon said to me, ‘That fellow is a whiz. I want to see more of him.’”

It was the first of Greenspan’s many political conquests—and it illustrated the gap between what universities produced and what the

world demanded of an economist. His gift was an ability to persuade politicians that he was so smart they couldn’t live without the numbers in his head. Says a person close to the Nixon campaign, “Alan came in with the idea that you could have this black box that explained it all—inflation, unemployment, GNP. He’d sit around with guys like [Nixon advisor John] Ehrlichman and say, ‘I’ve got this black box....’”

At Garment’s behest Greenspan worked for Nixon’s 1968 campaign as a part-time volunteer. Most people throw themselves into political campaigns with the vague hope that they will receive an important job in government. Greenspan’s interest in Nixon seems to have been more purely principled:

Fed chairman Greenspan testifies before Congress in 1993.



“OH, I GET IT,” HIS EX-WIFE TOLD THE FBI. “YOU WANT TO KNOW IF ALAN IS A HOMOSEXUAL.” “WELL, HIS EX-WIFE USUALLY KNOWS.”

with Keynes, who stressed the amoral nature of markets. Rand had little truck with those who chose their economic views on purely pragmatic grounds—in her view, laissez-faire was the only morally acceptable system. “I think Alan

was searching for a total philosophy that would put a foundation under his ideas,” says his ex-wife. “That’s what Ayn did for him.”

Nathaniel Branden published *The Objectivist Newsletter*, to which Greenspan contributed one article praising the gold standard and another attacking government regulation. In the late 1950s the Brandens founded an institute to spread Rand’s ideas. By night Greenspan lectured there; by day he generated economic forecasts for a consulting firm he had joined. In early 1961 Robert Bleiberg, then editor of *Barron’s*, attended a lecture by Greenspan. He, too, was persuaded of Rand’s rightness and reprinted some of Greenspan’s writings in *Barron’s*. But he resisted entreaties from members of the Col-

After the victorious campaign, he turned down entreaties to work in the Nixon administration, including an offer to head the president's Council of Economic Advisors.

Greenspan had been attracted, it seems, by Nixon's verbal commitments to fight inflation. This devotion to the dollar's integrity had a spiritual dimension that owed more to Greenspan's link with Rand than to any formal training as an economist. As taught in universities, inflation is a potentially meaningless event. As long as everyone expects it, everyone can adjust for it. In Rand's Saturday evening sessions, however, inflation was as great a threat to freedom as alcohol was to virginity. It was the mechanism by which the corrupt political class separated the pure from the product of their efforts, by debasing the money they had earned. And deficit spending by the federal government—which floods the economy with unearned dollars—was the corrupts' Trojan Horse. Pegging the value of the dollar to gold, the Randians believed, was the only defense against political manipulation.

Nixon, however, became the first in a line of American presidents whose commitment to fighting inflation was more rhetorical than practical. The new president felt that the Federal Reserve's tight, anti-inflationary grip on the money supply had cost him the 1960 presidential election,

when he ran as the incumbent vice president against John Kennedy. When at last Nixon gained the Oval Office, he came determined to install in the Fed someone more responsive to his political needs. That man was Arthur Burns.

Burns had taught Greenspan at Columbia, where Greenspan made his abortive run at a Ph.D. The defining moment came when he asked Greenspan's class a simple question: What causes inflation? The students took

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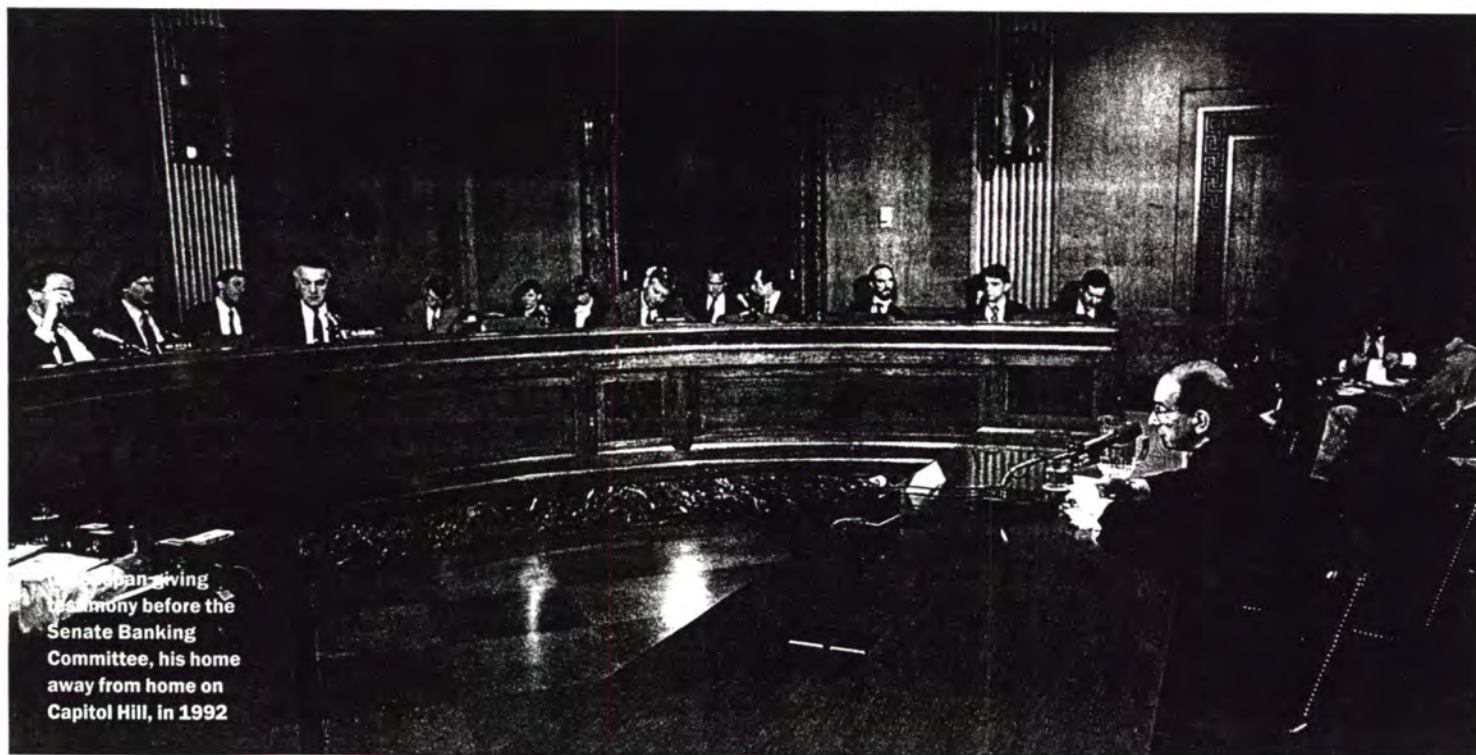
turns offering answers until they had proved they didn't know much. Finally the master boomed: "*Excess government spending causes inflation!*" But as Nixon's Fed chairman, Burns proved there was another cause. At a crucial moment in the 1972 presidential election cycle, he began predicting an economic slowdown that few other economists could see looming. Over many objections, he insisted that the Fed ease the money supply to heat up the economy. Money

growth nearly quadrupled, making an inflationary surge inevitable, but Burns's Fed rejected more than 20 calls from member banks to slow down money growth.

What happened next was delicious to all students of hypocrisy and politics. By 1974, the price of green eyeshades and everything else was out of control, and Alan Greenspan must have been scratching his head in disbelief. Then he got a call. It was Arthur Burns, telling his former student that this objection to becoming a bureaucrat was all very sweet but that it was time for him to enter politics. "Arthur not only asked him to go," says Judy Mackey, one of the four women to whom Greenspan subsequently entrusted his economic consulting business. "He told him that it was his *duty* to go—that it was their last chance to fight inflation."

And so, on the morning of Richard Nixon's resignation, Alan Greenspan left his Washington pied-à-terre—at the Watergate—and came to testify before the Senate Banking Committee at confirmation hearings to become chairman of the president's Council of Economic Advisors. Though he lacked a Ph.D. in economics, no one questioned his qualifications. There is a tradition of men becoming experts simply by being put in positions that require expertise, and something like this eased

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GREENSPAN

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Greenspan's anointment as a Washington player. He was, and remains, the second and last economist without a doctorate to head the CEA since its creation in 1946. (A couple of years later Greenspan finally received his Ph.D. from New York University. His thesis was a collection of articles the academic merit of which we can only surmise, since NYU has lost all three copies.)

Slightly more at issue were his political beliefs. Greenspan held not only that government was more or less immoral but that the new inflation was almost entirely a result of Great Society spending and other social programs. As he explained that summer, "In the last 10 or 15 years there has been an extraordinary buildup of... special interests in our society who have ongoing commitments from the federal budget [that are] running in excess of the revenue-raising capacity of our tax system.... I would suspect that it may account for anywhere from 80 to 90 percent of the inflation in this country."

Robert Kavesh, a former classmate and now a professor at NYU, recalls trying to dissuade him from coming on too strong. "I said, 'Alan, you're going to get up there and start on all that stuff you believe and they're not going to like you,'" he says. To his credit, Greenspan stood firmly by his beliefs. But somehow on the way from Greenspan's brain to his mouth, his statements got so marvelously garbled that they were difficult for anyone to understand—much less object to. Nixon resigned that evening, and Greenspan had even more room to maneuver. "When Ford became president," says William Seidman, a close friend of Gerald Ford's who subsequently headed the new president's Economic Policy Board, "one of the first things he did was ask me to decide whether Alan was suited for the [CEA] job. Alan was not well regarded by academic economists. But we had enough problems without going out and finding someone else."

And so in September 1974 the man without a Ph.D. in economics was sworn in as the nation's leading economist. The man who defined himself by a moral objection to bureaucracy went into government service. In the front row of Greenspan's swearing-in ceremony at the White House sat Ayn Rand herself, who must have been

amused by the sight of the ardent atheist placing his right hand on a Talmud held by his aged mother.

But somehow Rand seemed sure that Greenspan wouldn't join the corrupts. Just a few days before, she had told a reporter: "Alan is my disciple."

IT IS NOW MORE THAN 20 YEARS SINCE Alan Greenspan first came to Washington and was stuck with his second unflattering nickname: The Creeper. It could hardly have been a less accurate description of his progress in politics, but it stuck for a while anyway. It had to do with his quixotic way of working a party. Every night Greenspan, who was then 48, would attend some fashionable event with all the relish of a man being forced to eat a cockroach.

"He does not flow easily from one major conversational group of celebrities to another," wrote a *Washington Post* reporter, "but walks through various rooms looking as if he is going somewhere in particular—then you see him later heading back with the same purposeful expression." Greenspan quickly became the sort of person who knew everyone but whom no one really knew. His social ineptitude led his colleagues in the White House to wonder why on earth he bothered. "He had such bad breath," recalls William Seidman, "that what social life he had took place at a distance of ten feet."

Before long, however, Greenspan was escorting Barbara Walters around town—but in such a detached way that rumors began that the economist was somehow different from the other policy hustlers in town. His former wife recalls a visit she received in 1974 from a pair of FBI agents. "They were asking all sorts of vaguely personal questions about Alan," she says, "and I could tell they weren't getting what they wanted. They didn't seem satisfied. 'Oh, I get it,' I said. 'You want to know if Alan's homosexual.' They said, 'Well, his ex-wife usually knows these things, if anyone does.' 'Well, he's definitely not,' I said. 'There have been a lot of women since me.' And there have! It's just he would never carry on with a woman in public. He's incredibly discreet—the most discreet person I have ever known. I told them that if they were worried about whether he would divulge sensitive information, they had lost their minds."

An economist might call Greenspan's style niche marketing. In a city filled with charming men with mint on their breath,

he stuck out like an oak in an evergreen forest. And maybe because he was so different, he had a fantastic ability to seduce presidents. Just as he seduced Nixon with the numbers in his head, now he worked on Ford. Scrap-metal prices! Steel inventories! "He has the greatest economic bedside manner of anyone in politics," says Seidman. "Extraordinary. That was his favorite word. He'd go in to see Ford and say, 'Mr. President, this is an extraordinarily complex problem.' And Ford's eyes would get big and round and start to go around in circles."

If there has been a theme to the dance between Rand's disciple and American presidents other than his ability to dazzle them with numbers, it has been his talent for making their lives difficult with his principles. Greenspan's career as an advisor is a nice illustration of how unpopular—and how dangerous for a president—deeply held beliefs can be. Back in 1968, for example, Greenspan had landed Nixon in trouble when he masterminded a proposal to set Wall Street free from regulation. It turned out that a lot of voters thought Wall Street needed as much watching as possible, and Nixon had to backpedal quickly.

Now as Ford's economic advisor, Greenspan traveled the land preaching the need to swallow the economic cost of disinflation, and his singular passion once again landed his boss in trouble. In response to a hostile question from a civil-rights leader, Greenspan explained how Wall Street brokers would suffer much more than poor people, as a percentage of their incomes, from a war on inflation. The ensuing outrage prompted Congresswoman Barbara Jordan of Texas to suggest that Americans send Greenspan their grocery receipts.

For his next trick Greenspan helped conduct Ford's WIN ("Whip Inflation Now") publicity campaign, which, in addition to being an ineffectual stunt, very nearly led to another embarrassment. Leaving the White House with Seidman, Greenspan fainted dead away. "He was known to faint under pressure," says Seidman. "I had to drag him out of Pennsylvania Avenue and into the Old Executive Office Building before the press got pictures of the leader of the war on inflation stretched out in the street."

Finally, Greenspan persuaded Ford to propose a reduction in government spending for fiscal 1977—election time. His reasoning was sound on paper: Any additional spending would fuel inflationary expecta-

tions, which in turn would raise long-term interest rates, which in turn would dampen the enthusiasm of businesses for investment. But it was kamikaze politics. Unemployment already stood at 8 percent, and lower inflation would mean higher unemployment—a trade-off Greenspan has always been willing to make, but which spells suicide for his political masters.

To this day, many believe that Ford's budget helped lose him the election in 1976. If so, it also lost Greenspan his job. As he left office in January 1977, three things were clear. First, despite all his efforts, inflation was out of control. Second, to rein in inflation you had to control the Federal Reserve Bank. And third, to control the Fed you had to take it out of the hands of politicians—and, by extension, the citizenry. The Randian view that the masses of men were being led by wayward elites had been proved to be true. All that was needed now was a hero to save them.

 SOUTH OF WASHINGTON, D.C., IN THE Northern Virginia suburbs, you can find whole neighborhoods teeming with free-market ideologues who have made their careers shuttling between jobs in government and sinecures in conservative think tanks where they attack people who work in government until it is time to return to public service themselves. Ayn Rand's disciples were mainly this brand of talking head. Their certainty that the market was the only moral system was buttressed by a near-complete ignorance of how it felt to be inside a market. Among them Alan Greenspan was something of an exception, and lucky for it.

After hooking up with the Randians in the early 1950s, Greenspan had left his job grinding numbers for the National Industrial Conference Board to join an economic consulting firm owned by an old Wall Street hand named William Townsend. (Greenspan took it over when he died.) Throughout the 1950s and 1960s, Townsend-Greenspan met with modest success. Along with the firm's half-dozen professionals, Greenspan provided a steady color commentary on U.S. economic data—going so far as to recalculate statistics generated by the Commerce Department. When the U.S. government was publishing quarterly estimates of GNP, Greenspan himself had generated monthly estimates. Now he returned to Townsend-Greenspan and po-

sitioned himself as a forecaster.

Despite his grasp of statistics and trends, however, Greenspan never had any talent for economic prediction—no one has. Economic data are descriptions of the immediate past. At their best they tell you what was, which isn't always a good guide to what is, and is often a terrible guide to what will be. The tea-leaf business was harmless enough; it kept Greenspan's name in the paper and enabled him to earn a living. And no one seemed to mind that most of his predictions turned out to be wrong. But it's odd that a character so obsessed with objective facts would devote himself to divining the future, and the move suggests a certain unreality at Greenspan's core. The forecaster is to economics as Ricardo Montalban is to acting. He lingers on the fringes and may be thought of as an important economist by people who don't know better, but his credibility among knowledgeable people is zero. He is merely a man of affairs.

But what affairs! Greenspan now occupied the great gold corridor between Washington and New York, in which financiers from New York pay for advice about Washington and politicians from Washington pay for advice about New York. Greenspan ruffed the two cities against each other like a bridge hand. He was invited to join the board of J.P. Morgan, perhaps the bluest-chip posting on Wall Street. More poignantly, he built a business consulting for the savings-and-loan industry. And so in 1982, when Charlie Keating gave him a hefty fee and asked him to write a letter, it seemed only natural to accept.

Three years before, Keating had bought Lincoln Savings & Loan in Phoenix. There he dreamed of building golf courses and \$500-a-night hotel rooms in the dunes. As we know now, Keating lost about \$3 billion of other people's money on such schemes, all covered by U.S. taxpayers. But at the time, he seemed a free-market hero of the sort lionized by Ayn Rand. His only problem was that some government bureaucrats wanted to block Lincoln from diversifying out of home-mortgage lending and into anything it wished to buy.

At Keating's behest, Greenspan penned an impassioned plea for savings-and-loan freedom. The letter concluded with an offer to lobby in person on Keating's behalf: "I am prepared to meet with [regulators] in Washington at the earliest possible time." It was a beautiful thing, an act of stunning in-

nocence, and maybe that's why no one has ever held it against him. Greenspan believed what he said: Around the same time, he earnestly explained to a congressional committee that "a time bomb is ticking away in the financial system.... The whole thrift-institution system will undergo a massive crisis." He was right, of course. What he couldn't imagine was that freeing heroes such as Charles Keating from the shackles of bureaucracy would only make matters worse. It was a prime example of how the Randian view can collide with reality.

Greenspan was just as incapable of imagining the other big financial shift of the 1980s, Fed chairman Paul Volcker's successful attack on inflation. Maybe he didn't believe that an honest war on inflation was politically possible, but he underestimated Volcker—and politics. In August 1979, just two months before the Fed hiked interest rates and caused property prices to collapse, Greenspan told the American Statistical Association the odds of such an event were "no more than one in four." Then in April 1981 he told the Electronics Industry Association of Japan that inflation wouldn't drop soon. Again in May 1983 he was quoted as saying that "the extraordinary price calm is over."

But until Volcker's second term ended in the middle of 1987, the inflation rate held steady at around 4 percent—down from more than 12 percent in 1979, a tremendous achievement. Greenspan watched in perpetual surprise as it became clear that inflation had finally gotten so bad that the Fed chairman had been given a mandate, and a level of independence, that was previously unthinkable.

Now *that* was a job worth having.

NO ONE OPERATING IN A CULTURE OF manipulation wants to be thought naive. In Washington there is a tendency to believe that everyone who clambers into some position of power is the beneficiary of some sinister strategy. A senior advisor to Ronald Reagan has told me that though he "never felt that Alan would backstab, there was one exception. He engineered the demise of Paul Volcker. I don't know how. But he did it. There was no reason why Paul Volcker was not reappointed."

But the truth is that people often land in very important jobs by default, and there was every reason why Paul Volcker was not reappointed. In restoring the credibility of the Federal Reserve, Volcker had begun to

wrest control of the money supply from politicians. The process was not complete and could reverse itself at any moment. But it was painfully clear to everyone in the Reagan White House that, while Volcker's goals were consistent with the administration's, the lifelong Democrat wouldn't be bullied into ensuring the reelection of a Republican president.

According to journalist William Greider's best-selling account, *Secrets of the Temple*, Volcker was already vulnerable when his first term expired in 1983, despite his popularity on Wall Street. Half of Reagan's inner circle had grown to loathe the Fed chairman's high-handedness; only intense pressure from the other half saved his job. By 1987, however, control of appointments was drifting into the hands of George Bush loyalists. They wanted someone they could count on to hit the economy's gas pedal before presidential elections—someone who made the right noises about inflation, so that the markets didn't go berserk, but who might in a pinch compromise his principles for the sake of his political friends.

Astonishingly, their candidate was Alan Greenspan. Greenspan had two things going for him. First, he wanted the job; indeed, his whole life seemed a preparation for it. Once a week for the previous 11 years he had made a trip to Washington, and on each trip he made a point of massaging the people who mattered. "Alan kept up his contacts with congresspeople in both parties when he would go to D.C.," recalls Judy Mackey of Townsend-Greenspan. "He had one life—and that was it," says a former Reagan crony. "I don't think I was in the White House once where I didn't see him sitting in the lobby or working the offices. I was absolutely astounded by his omnipresence. I was there once every few weeks. For eight years! He was always huddling in the corner with someone."

But more importantly, Greenspan seemed to the Bush camp the sort of character who could be molded by his superiors. To all external appearances, they say now, he had been malleable for as long as they knew him. "In the White House," says the senior Reagan advisor, "he never expressed any particular view strongly. In our meetings with the president he never, ever took a hard line on anything. He wasn't moderate; he was average. [That's how] he ingratiated himself with the Bush people. They felt as if they were getting a friend."

It was one of the most dramatic miscalculations in the history of Fed appointments. The Bush people put Greenspan into Volcker's office thinking they were getting an Arthur Burns-style chairman who would monkey with the money supply to help friends win elections. Instead they got a fanatic whose entire adult life had been dedicated to the principle that inflation was evil. In August 1987 Alan Greenspan took over as chairman of the Federal Reserve. The past did not dry up and blow away.

THE STANDARD EVALUATION OF GREENSPAN'S tenure as Fed chairman runs something like this: Over the past seven and a half years, his gift for analyzing economic data and his talent for consensus building have helped America to avert crisis. Having expunged from his character any trace of imprudence, he now acts on financial markets as a sort of human stabilizer. Perhaps his finest hour was during the stock market crash that occurred just after his ascendancy in 1987, when the Fed flooded money into the banking system and offset the effects of a growing panic.

During Greenspan's tenure the Fed also has brought down the annual inflation rate from 4 percent, where it had been since 1983, to 2 percent—the lowest level it has reached since a young Alan Greenspan first met Ayn Rand. The economic cost of this continued war on inflation has been substandard growth: Recessions have been longer and recoveries have been briefer than would otherwise have been the case. The political cost was the defeat of George Bush by Bill Clinton in 1992.

On the surface, all of this is perfectly plausible. Just below, it is not. For a start, it is clear to insiders that Alan Greenspan is a consensus builder only in the sense that Napoleon was a consensus builder, and that the Fed is less a republic than an empire. Our nation's monetary policy is made by a body called the Federal Open Market Committee, which consists of Greenspan, six top Fed officials called governors, plus a rotating cast of five regional Fed presidents. The FOMC dictates a couple of key interest rates on which most private lending rates—including mortgages and car loans—are based. This gives FOMC an enormous lever over the economy: The higher the cost of borrowing money, the less economic activity will naturally occur, especially in credit-sensitive areas such as housing.

To a great extent, Greenspan can muscle the votes of his regional presidents, who are elected by private bankers and work out of grand buildings in places like Dallas and Boston. Regional Fed presidents make the most important economic decisions in our democracy, yet they are not democratically accountable. About once every two years some politician points this out and threatens to introduce a bill that requires them to be appointed by the president and confirmed by the Senate, like other top Fed officials. About once every two years, Alan Greenspan stops that proposal in its tracks. In exchange for protection of their clubby world, the presidents pretty much behave themselves.

The six Fed governors, by contrast, are appointed by the president and, like Greenspan, work from offices along a corridor in a building in Washington. But while the governors can count only on their secretaries for support, Greenspan has authority over a staff of 1,700 permanent Fed employees whose driving instinct is to protect their boss. There is a long tradition of padding this staff with former military men, and the blind loyalty of these soldiers fits naturally with Greenspan's method of rule. The troops provide superior information, support Greenspan's every position with statistics, and glare at recalcitrant governors in the hallways.

In short, any Fed consensus will always confirm Greenspan's own position. "Chairman Greenspan," says Walker Todd, a former counsel for the regional Feds in New York and Cleveland, "has got his way on just about everything." The transcripts of Fed meetings bear Todd out, invariably showing that the regional presidents and Greenspan's fellow governors get dragged along on whatever ride Greenspan wants to take. To Mexico, for instance.

Around every Mexican national election since 1976, the Fed has loaned dollars to the Bank of Mexico; it's an arrangement that led naturally to the current \$40 billion bailout. The money is typically returned one month after the election. Where it goes in the meantime, no one says, but it's a fair guess it has something to do with ensuring the outcome of the election—a matter of interest to U.S. presidents. Greenspan has escalated the sums involved in this little favor-granting game, over the objections of his board. "He would come to meetings," recalls Todd, "and say that he had promised his friends at the Treasury that he would do

this and that the reputation of the Fed was on the line. Each time he did this the board would say, 'Okay this time; but next time tell us *before* you do it—not after.' Next time he did exactly the same thing."

The FOMC transcripts that describe the loan of 1988 illustrate the point nicely. In a conference call that October, Greenspan explains that "it's important that Mexico be supported through this period to whatever extent is reasonable." The committee responds skeptically, and governor Robert Heller finally cuts to the nub of the matter. "Mr. Chairman," he says, "I think it's very difficult to make a judgment on the appropriateness of the program in the absence of a briefing on what's going on in Mexico. I for one would have very much appreciated either to have a briefing like that or to have a background paper so we can form some considered judgment.... As it is now, I'm happy to go along with it, but it's blind faith."

Two weeks later, on November 1, the subject rises again—after the loan has been made. This time governor Martha Seger expresses her concern. "The day that this bridge loan was announced in the newspaper, I happened to have breakfast with a congressman from the House Banking Committee," she says. "He said, 'What in the world is the Federal Reserve doing in that? Why would they be involved with the bridge loan?' And I didn't know how to answer, I'll be honest with you." Cleveland regional president Lee Hoskins chimes in. "The concern is that we would be subject to being viewed as perhaps circumventing Congress" by doing favors for the White House, he says. "In that sense, I don't think it's appropriate to continue those kinds of relationships."

Although these are serious concerns, Chairman Greenspan isn't interested. "Any further questions for Mr. Truman [the Fed functionary responsible for Mexico]? If not, let's move on to the domestic desk. Mr. Sternlight?"

That's the sound of a consensus being reached in Alan Greenspan's Federal Reserve Bank.

THE MAIN FLAW IN MOST APPRAISALS OF Alan Greenspan is the focus they place on his economic skills. Even the management of the 1987 stock market crash—supposedly his greatest achievement—required little in the way of finesse. Ever since Mil-

ton Friedman and Anna Schwartz demonstrated that the correct response to a market crash was to flood the banking system with money, the Fed has been poised to respond to a crisis by throwing cash at it. Similarly, the market has been poised to believe that the Fed could offset the effects of a crisis by throwing cash at it. These twin beliefs were self-fulfilling. Put another way, the reason the financial world was stabilized so quickly by the Fed in October 1987 was that everyone *believed* it could be stabilized by the Fed. And for that belief we have to thank Friedman and Schwartz.

More generally, monetary policy in the Greenspan years has been largely a matter of erring on the side of tight money. That's why inflation has fallen, and it's not especially notable. What is notable is that Greenspan has pretty much singlehandedly beefed up the power of the Fed and removed it further than ever from anyone's control but his own. That's a political achievement—a huge one.

Studies have shown that, under different administrations, the same Fed chairman acts differently. In other words, the nation's monetary policy is pretty much democratically controlled; its course usually has more to do with who is president than who is chairman of the Fed. The single exception to the rule has been Alan Greenspan. This is his real achievement, from which everything else follows. It amounts to a shift in power from elected officials to unelected ones, and it has a self-propelling mechanism. In the same way that *Hollywood Squares* celebrities were famous for being famous, our Fed chairman now is respected for being respected. Liberated from having to pander to mere voters, he is a stable currency surrounded by debased alternatives—he's above the trash-talking of daily politics, willing to make hard choices. This has given Greenspan an almost mystical power over those who might remove him from office.

In August 1994, Alan Blinder learned this the hard way. Newly appointed as vice chairman of the Fed, Blinder had been widely viewed as a possible rival to Greenspan. (Bill Clinton chooses his own Fed chairman early in 1996.) Then the former Princeton professor gave a speech to fellow central bankers in Jackson Hole, Wyoming. Blinder argued that, in the short run, one might easily purchase a few years of more jobs with just a little bit more inflation—precisely the belief of his fellow

FOMC members, including Greenspan.

Blinder's crime was to speak reasonably about inflation. In particular, he had suggested that, at its current low levels, inflation was unworthy of the hysteria that attends it at the top of the Fed. As a result, he found himself painted as an inflation lover by an amazing flurry of unattributed quotes from inside the Fed. He isn't, of course. But Fed politics aren't about reality. They're about perception: the perception of the Fed by financial markets, and the perception of that perception by politicians.

In the political imagination, the financial markets are a suicide waiting to happen. From the moment Alan Blinder tried to speak as though they were a well-adjusted adult, he was accused of pushing Wall Street onto a ledge—and discredited as a possible successor to Greenspan. The more extreme a Fed chairman is about inflation, the more reassuring he is to the markets. And since no one is more extreme about inflation than Greenspan, no one is better suited to head the Fed. Fusion of man and institution has never been so complete. In protecting the Fed, Greenspan protects himself. In advancing himself he advances the Fed. The end result is a single-mindedness unmatched in our government.

Take, for example, a Clinton administration proposal to consolidate all bank regulation into a single new agency. Four agencies currently handle the task; the Fed is one of them. Forwarded in early 1994, the idea would have reduced the size of government and eliminated some arbitrary differences in how banks are regulated. It enjoyed enthusiastic backing from Democrats and Republicans alike. The proposal had only one flaw: Alan Greenspan was against it. It would strip the Federal Reserve of authority over many of the nation's banks—and in losing control of these banks, Fed officials feared, they would lose their best tool for strong-arming Congress. Bankers are large campaign contributors and powerful lobbyists.

This threat galvanized the Fed chairman and within a couple of months a worthy reform had vanished. A senior Clinton administration official explained the process to me: "Here is what happens when you get into a fight with the Fed on an issue it really cares about. First, Alan Greenspan personally visits half the Senate Banking Committee. Then he contacts the board of directors at his member banks. These boards

consist of the leaders of American business. The leaders of American business then call their members of Congress, who all of a sudden start to waver in their support.

"If this doesn't suffice, the Fed then contacts foreign central banks, who let it be known in various ways that the new idea isn't such a good one. If that doesn't work, you find that all of a sudden the finance ministers of G-7 countries are calling the White House. Before you know it the *president* gets calls from the British prime minister, the French president, and other foreign heads of state. And all of a sudden everyone you thought was on your side is questioning your judgment.

"By virtue of its contacts and interrelationships, the Fed has a public-affairs apparatus that is simply unrivaled by any organization, public or private, in the country. This has enabled [Greenspan's] Fed to pursue a policy of incremental acquisition of authority. Their objective is the control of everything, for all time, through undemocratic processes."

PUTTING A DEMOCRACY'S MOST IMPORTANT economic decisions beyond democratic control isn't easy—or pretty. In October 1993 the House Banking Committee, chaired by Henry Gonzalez of Texas, invited Alan Greenspan to testify. The sole purpose of this hearing was for Fed officials to tell Congress, under oath, what records they kept of their eight meetings each year. Under oath, Greenspan said that those meetings were taped—but that the tapes were erased immediately after a loose description of events was typed up.

This in itself was revealing: Some of Greenspan's fellow board members had been unaware they were being taped; he told them about it in a conference call only a few days before the hearing. But the more important implication of Greenspan's testimony was that there were no precise records of Fed meetings. This wasn't true. As it turned out, a verbatim transcript of each meeting was kept in a drawer down the hall from Greenspan's office. In a letter to Gonzalez a week after he testified, Greenspan admitted he had misspoken: He knew about these transcripts but had forgotten.

It was, according to a top congressional staffer who subsequently visited the Fed and examined the documents, hard to interpret as anything but "a very conscious strategy to mislead." Economist Anna Schwartz agrees

that "it was not Alan Greenspan's finest hour. When that whole crowd from the [Clinton] White House was summoned and asked if they had any knowledge of interference in savings-and-loan investigations, it reminded me of all the Fed people lined up before the House committee saying they had no idea they kept records."

Underlying the incident was Greenspan's apparent conviction that the mechanics of his fight against inflation are in some sense private. The Randian view—that it's perfectly moral for a pure-intentioned hero to outflank an elected elite—has seldom been so clearly articulated in our public policy. But while America in the early 1980s was willing to pay a price to fight 13 percent inflation, America in the 1990s finds itself in a different position. It's not at all clear that anyone wants to reduce inflation to zero from today's meager levels: The costs might well outweigh the benefits. If put to a vote it's unlikely the Fed chairman's policy would ever be implemented—and not because the masses are being duped.

What's odd about Greenspan's reluctance to let anyone know what he's doing inside the Fed is that it magnifies his power to strip wealth arbitrarily from its rightful owners—just what he has said he hates about government. As the Fed chairman forms sentences designed not to be understood, he can't possibly make himself clear to the markets that depend on his signals. The inherent contradiction leads to absurd situations such as that in February of 1994, when the Fed raised interest rates to preempt inflation but caused inflationary expectations in the process.

If the markets surprised Greenspan by collapsing and devastating the nation's bond portfolios, it was only because no one had any idea what was inside his head.

THE DAY AFTER HIS HEARINGS ON ORANGE County, Alan Greenspan returns to Capitol Hill and seems, for once, to be playing the Washington game. Everyone takes it for granted that he appears in the same navy-blue suit of the day before: When he testifies before Congress, Greenspan seldom wears anything but a navy-blue suit, for the very good reason that it's pretty much the only type of suit he owns. His ex-wife Joan Mitchell Blumenthal, with whom he's still close, recalls helping clean out his closet several years ago. "I found a long row of identical navy suits," she says. "I said, 'I want to get rid of ten of these. Which ones

should I take?' He said, 'You choose.' And so I did. It didn't matter! They were all the same."

Leaning heavily upon his nose, Greenspan now offers the Republican party a plum: The new Congress might cut \$50 billion a year from the deficit, he says, simply by instituting a more accurate cost-of-living index for Social Security payments. The idea gets front-page attention—and it's a measure of Greenspan's credibility that no one asks the obvious question: Why now? Greenspan has been advising the Clinton administration on deficit reduction from the start. As former chairman of Reagan's Commission on Social Security, he certainly knew the facts all along.

Only one thing can explain it: The Republicans now control Congress. Treated nicely, they're more likely to act on his proposal to require the Fed by law to reduce the inflation rate to zero. What's more, they're more likely to insist that Clinton appoint Greenspan to a third term at the Federal Reserve. "People inside the Fed," says former Fed staffer Walker Todd, "assume that being renominated for a third term is the driving goal of Alan's life—and that everything he does now is to that end."

Most people in Washington will tell you that Alan Greenspan is just another player. The system has worked Greenspan more than Greenspan has worked the system, they'll say. After all, he came to Washington opposing regulation, and he's now the most powerful regulator in town. He's picked up a tennis game so he can schmooze on the court—occasionally in black socks. He's even found himself another powerful newswoman, Andrea Mitchell of NBC.

But to me a more persuasive view is that Greenspan has built a better Randian mousetrap. He has preserved a hard core of fanaticism by encasing it in a shell of pragmatism. No more waiting for everyone to realize that extreme laissez-faire capitalism is the best system: He's taking control of the process himself, ever so quietly. "Alan believes that there needs to be a transition period," Joan Mitchell Blumenthal told me. "He thinks we will get to where he wants to go—but that it will take time."

Still, not long ago his former wife suggested to Greenspan that he might be growing soft in his old age—that politics might have compromised him more than he thought. "I haven't changed my mind," he said. "About anything." ■

News: Analysis & Commentary

CONTROVERSIES

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WHO IS ALICIA MUNNELL? AND WHY IS SHE DRAWING FIRE?

The GOP already is attacking Clinton's probable pick for the Fed

Presidential nominations to the Federal Reserve Board are normally humdrum affairs. In fact, Congress hasn't rejected a central-bank nominee in more than eight decades. But this is the Clinton White House, which seems unable to fill any job easily. And that creates uncertainty for the Clintonites' expected choice for a Fed opening: Alicia H. Munnell.

Munnell, Assistant Treasury Secretary for Economic Policy, hasn't yet been formally nominated to replace Governor John P. LaWare. But Senate Republicans already have launched a preemptive strike against the 52-year-old economist, charging that she is too liberal for the job. On May 10, 10 GOP senators warned Clinton to appoint a candidate who will focus on one issue: price stability. That was a thinly veiled attack on Munnell, whom Republicans believe to be an inflation dove. "It was a wake-up call to the White House," says Senate Banking Committee Chairman Alfonse D'Amato (R-N.Y.), whose panel handles Fed nominations. Republicans are "very concerned that she may not have a proper appreciation for the dangers of inflation," he adds.

Another GOP gripe: Joint Economic Committee Chairman Connie Mack (R-Fla.) blasts Munnell for her past advocacy of taxing pension assets. Given her liberal positions on pensions, taxes, and other issues, he says, "I don't think she can make it" through confirmation.

REVISIONIST HISTORY? Munnell isn't talking, but her Administration backers argue that after 20 years as an economist at the Federal Reserve Bank of Boston, she knows well the evils of inflation. But they're hampered in defending her because as a loyal Fed soldier, she never spelled out her personal views on managing the economy. "There isn't a paper trail of her views on monetary policy," says a Treasury colleague. Charges another: "Some conservatives are doing with her what gun lovers did

with Waco. They're creatively rewriting her history."

Munnell made her reputation at the Boston Fed with studies of wealth distribution, savings, and retirement policies. She has criticized private pension plans as tax breaks for "a relatively privileged subset of the population" that don't increase national savings. In a 1992 article, she advocated imposing a



tax on both accrued benefits and future contributions—and using that revenue windfall to cut the budget deficit or pay for education or infrastructure projects.

Munnell gained additional notoriety with a groundbreaking 1992 study that found systemic racial discrimination in mortgage lending among Boston banks. After reviewing 4,500 loan applications made in 1990, she and her co-authors concluded that blacks and Hispanics were 60% more likely to be denied mortgage loans than similarly qualified whites. The study served as a catalyst for greater scrutiny of bank lending practices by federal regulators. But it has come under fierce attack from conservatives and bankers, who say that the data used were flawed and that the discrepancies in lending rates may have been caused by other factors. "It trou-

bles me that poor research would be the basis for an all-out attack on an industry," says James Chessen, chief economist for the American Bankers Assn.

Little wonder, then, that bankers seem intent on persuading Senate Republicans to block Munnell in favor of a banker. After all, they note, LaWare was the only banker on the Fed board, and Chairman Alan Greenspan is said to prefer an industry representative.

OPTIONS. Munnell's fate may ride on whether Clinton can stomach another bruising confirmation fight on the heels of the battle over Surgeon General designate Henry Foster. The Administration already has had problems filling the seat: Its first choice, North Carolina banker John G. Medlin Jr., declined for personal reasons, leaving Munnell as

TOO LIBERAL?

GOP gripes about Alicia Munnell:

MORTGAGE DISCRIMINATION Munnell co-authored a 1992 redlining study while at the Boston Fed that used mortgage data to argue that Boston banks were discriminating against minorities. The study resulted in closer federal scrutiny of lending practices and legal action against banks.

TAXING PENSION ASSETS In 1992, Munnell proposed lowering taxes with a one-time tax on pension funds, plus an ongoing tax on future contributions. She argued that private pension programs are a tax shelter for the affluent.

ECONOMICALLY TARGETED INVESTING Republicans charge that Munnell wants the government to force pension funds to invest in projects with social objectives. But Munnell-backers say she always has opposed trading lower returns for social considerations.

the only clear candidate. But as the Clintonites drag out their deliberations, conservative attacks on Munnell may give them pause. Officials admit they may have to reconsider the nomination, though they have no backup.

Even if a fight erupts over her nomination, Munnell could yet win out. After all, the GOP raised similar qualms at her 1993 Treasury confirmation hearing and she was approved anyway. But if Senate Republicans make good on their threats to staunchly oppose her, her nomination will embroil the Fed in a rare partisan fight. That could portend even nastier battles next year, when the terms of Greenspan and Vice-Chairman Alan S. Blinder expire. The Munnell controversy may prove to be only a warmup.

By Dean Foust and Mike McNamee with Mary Beth Regan, in Washington

Boston Sunday Globe

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A bankers' banker

Floating the name of Alicia Munnell as nominee for a vacant seat on the Federal Reserve Board has drawn fire out of proportion to the occasion and inappropriate to the position. President Clinton may or may not send her name to the Senate, but her qualification for the job seems beyond doubt, and for exactly the reasons she is being criticized.

Munnell, who was senior vice president and director of research at the Federal Reserve Bank of Boston before joining the Clinton administration as an assistant secretary of the Treasury, presented a paper in 1991 discussing the pros and cons of changing the tax treatment of private pension plans. She advocated shifting from the current situation, in which pensions are not taxable until beneficiaries receive benefits that they report as ordinary income, to a system in which contributions and investment income would be taxed at a rate of 15 percent; plus a one-time 15 percent tax on existing assets, which would be offset by eliminating the tax on benefits and a sharp reduction in pension regulation.

The arguments pro and con are largely technical. They include broad equity questions. The postponement of taxes is an indirect subsidy available primarily to persons in the upper half of the income scale; research casts doubt on whether the

subsidy encourages additional savings and investment; Treasury revenue losses are substantial: more than \$50 billion annually.

Munnell is no raging liberal on economic issues, as demonstrated by this aside in the paper: "A well-designed consumption tax, with a nice progressive rate structure and bequests included in the tax base, would be a perfectly acceptable alternative to the present personal income tax." Nevertheless, she was excoriated in a recent Wall Street Journal editorial for discussing the question at all, and now 10 Republican senators have joined the choir.

One of her notable accomplishments at the Boston Federal Reserve Bank was a careful study of bank lending practices that found disproportionately low credit availability for minorities. Even though almost all institutions had made genuine attempts to reverse the old practice of routinely rejecting minority credit seekers, the study uncovered unintentional bias. No blame was involved, merely enlightenment. Even bankers now applaud the study.

Munnell's capacity for the careful study of detail and her recognition of complexities are exactly the qualities one would hope for in any member of the Federal Reserve Board. Munnell might not make it, but her profile fits the job description.

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Joint Economic Committee

U.S. SENATOR
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CHAIRMAN

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MAY 11, 1995

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10 SENATORS SIGNAL CONCERN TO CLINTON ABOUT FEDERAL RESERVE BOARD POSITION

Led by Senator Connie Mack (R-FL), Chairman of the Joint Economic Committee, ten Republican Senators today sent a letter to President Clinton expressing their interest in the President's upcoming nomination opportunity to the Federal Reserve Board. In relaying the importance of this position and the role of the Federal Reserve to the financial and economic health of the nation, the Senators wrote, "We would like to communicate our concerns that this nomination be fashioned with a keen eye turned toward the stability of our currency and the importance of keeping our capital markets free from burdensome regulations, taxes and mandates."

The Senators' main concern is to ensure that any candidate that the President nominates should have strong commitment to sound money policy and the goal of price stability. According to the Senators, "Any attempt to use monetary policy to boost the performance of the economy in the short-term exacerbates financial market volatility, undermines the value of U.S. currency, and leads to higher unemployment over time. A Federal Reserve monetary policy based on price stability is the best way to assure strong and consistent job growth in both the short and long-term."

According to recent news reports, President Clinton's choice for the Federal Reserve position available is Alicia Munnell, currently an Assistant Secretary at Treasury. Munnell has advocated a 15 percent tax on pension assets, and according to news reports, is a strong supporter of the President's Economically Targeted Investments strategy, and an advocate of multiple goals for Federal Reserve policy.

The Senators conclude, "A monetary policy focused on price stability would be the single greatest contribution that the Federal Reserve could make to the long-term health of the U.S. economy. We encourage you to nominate someone who will share these views."

FED APPOINTMENT: Key senators say concerns may thwart Munnell

By Cathy Kristiansen and Liz Alderman

Knight-Ridder Financial News

Washington--May 16--Key senators are fighting President Bill Clinton's next nomination to the Federal Reserve Board, even before he has had a chance to make it.

Alicia Munnell, considered the leading candidate for the Fed post, is receiving harsh criticism from lawmakers, who accuse her of being soft on inflation and lacking enough banking expertise.

Clinton has not nominated Munnell, although his economic advisers are expected any day now to recommend her to fill the seat left vacant by former Fed Gov. John LaWare. All Fed nominations are considered by the Senate Banking Committee, followed by a vote by the full Senate.

In interviews with Knight-Ridder Financial News on Capitol Hill today, several senators spoke strongly of reservations they have about Munnell's qualifications. Munnell has worked as research director at the Boston Fed bank and is currently assistant Treasury secretary for economic policy.

"It is a nomination that will be scrutinized very, very carefully," said Alfonse D'Amato, R-N.Y., who chairs the Senate Banking Committee and thus has great sway over its members. "We are deeply concerned about this."

Moreover, D'Amato said that although he has approved just about every nominee that has appeared before his committee, "at this point I have very real reservations" about approving Munnell.

When Sen. Connie Mack, R-Fla., who chairs the Joint Economic Committee and is also a Banking Committee member, was asked if the general apprehension about Munnell, especially on the inflation front, was enough to waylay her nomination, he replied, "Absolutely."

Munnell has earned a reputation of being slightly left of center politically. In the monetary policy arena, she is considered slightly more inclined to support faster economic growth than policies to beat down inflation.

In a recent Knight-Ridder Financial News interview, Munnell said she saw little threat from inflation or from the dollar's weakness.

"Until you see it (inflation) in labor costs, it is not going to materialize," she said. However, Munnell also said it was in no one's interests to have inflation.

D'Amato said Munnell's apparent leaning toward favoring lower interest rates to spur growth put up a red flag about her toughness in fighting inflation.

"It seems to me that that is one of the areas of great concern," he said. "You can bring them (interest rates) down, but if you do you can create a situation in which you really feed the fire of inflation."

"There are a number of colleagues who are very much concerned, who don't want to have someone come in on the side of a social activist, as opposed to someone who understands the proper role of

the Federal Reserve," D'Amato said.

Many Republican senators view Clinton's two prior nominees to the Fed Board--Gov. Janet Yellen and Vice Chairman Alan Blinder--as slightly dovish, or soft on inflation, even though both have supported all tightening moves since they joined the Fed last summer. Clinton's next Fed appointment will be the first to be considered by a Republican Congress.

Another apparent area in which Munnell concerns lawmakers is on tax issues.

"There's deep concern about her involvement in (support in the past of) a tax of 15 pct on pension funds," Mack said. "That equals 600 billion dlrs, larger than the GDP (gross domestic product) of all of Canada. That's a significant tax with significant impact on what people save, and so we have real reservations about that potential nomination."

D'Amato also spoke to the fact Munnell does not have private sector banking experience, which was something LaWare--a former banker himself--recommended when he left the Fed.

D'Amato said having a banker on the board would be "preferable, given the close relationship" that the Fed has with the US banking system.

Mack also said he looked darkly at a Boston Fed Bank study conducted when Munnell headed its research department that showed high levels of discrimination in lending. The study was criticized as "terribly skewed" for failing to take into account the credit backgrounds of borrowers, he said.

Today's comments by key lawmakers come in the wake of a letter sent to Clinton last week by 10 Republican senators, including eight on the Banking Committee, in which they recommended he select an inflation fighter for the Fed post.

Not all of those who signed the letter are equally concerned about Munnell, however. Sen. Phil Gramm, R-Texas, and a presidential candidate, told KRF today, "It's too early" to say how a nomination of Munnell would go. End

Cathy Kristiansen, Tel: (202) 383-6172

Front-Runner For Fed Makes Banks See Red

By JARET SEIBERG

WASHINGTON — President Clinton would probably ignite a firestorm of protest within the banking industry if he nominated



Assistant Treasury Secretary Alicia Munneil for a seat on the Federal Reserve Board.

Bankers know Ms. Munneil largely because of a controversial study on lending discrimination that she wrote while director of research at the Boston Federal Reserve Bank. That study concluded that banks discriminate against minorities.

But Ms. Munneil has excited controversy in a number of other areas in which she has published research, particularly in the fields of pension funds and public investments.

President Clinton has not decided whether to nominate Ms. Munneil for the Fed seat, and some industry sources said this week that the White House may have chosen to cast a wider net for candidates.

However, the 20-year Boston Fed veteran emerged as the front-runner last week after former Wachovia chairman John Medlin withdrew as a candidate for the seat that was vacated by former banker John LaWare.

Bankers, who believe the Fed

is already too dominated by economists, want one of their own picked to replace Mr. LaWare.

"People in the industry have a strong preference for a bona fide banker, someone with actual banking experience," said Joe Belew, president of the Consumer Bankers Association. A banker can best explain the industry's needs to the economist-dominated Fed, he said.

But the industry's dismay over Ms. Munneil goes well beyond her lack of experience in a commercial bank. Those familiar with her work are enraged by her fair-lending study.

"She'll never be confirmed," said one angry bank economist, who, like many others, asked that his name not be used in connection with a criticism of an official who could become an industry regulator.

But Ms. Munneil's strongest critics are her fellow economists, some of whom said the Harvard University PhD advocates extreme economic theories and uses overly simplistic economic models that produce misleading results.

They point to her three most well-known interests — fair-lending, pension taxes, and public investments, as evidence of her problems.

On fair-lending, Ms. Munneil almost single-handedly created a new industry — fair-housing consulting.

The Boston Fed study, which she directed, renewed interest in the area and initiated a string of bank prosecutions by the Department of Justice.

Today, nearly every bank in the country is reviewing its operations carefully with an eye toward potential violations of the Equal Credit Opportunity Act and the Fair Housing Act.

In the study, Ms. Munneil and her three co-authors reviewed Home Mortgage Disclosure Act data and additional information collected from 1980s and 1990s. The Boston Fed banks were a sampling of the nation's banks.



"People in the industry have a strong preference for a bona fide banker, someone with actual banking experience."

Joe Belew

President,

Consumer Bankers Association

Community activists are quick to praise the study. "It was an important watershed event that absolutely promoted a dramatic change in the dialogue on fair-lending," National Community Reinvestment Coalition president John Taylor said. "That was a very good thing."

But a number of economists who have reviewed the study said her conclusions are off base. They said she misinterpreted the data and failed to include key variables that would have altered her results.

"A lot of people are really starting to zero in on the Boston Fed study," said Bert Ely, an industry consultant best known for predicting both the magnitude of the thrift crisis and the speed with which the banking industry would return to health.

It had a lot of impact, but the more people look at the methodology, the more people are questioning it, Mr. Ely added.

A number of others, however, raised similar questions, including Federal Deposit Insurance Corp. economist David Horne.

Continued



**"Her research
was imaginative.
She didn't
follow the
conventional
wisdom."**

Eugene Sherman
Analyst,
M.A. Shapiro & Co.

who reported in a study last year that most of the discrimination that Ms. Munnell found disappeared once other factors were considered.

Also, Federal Reserve Board economist Glenn Canner released a study in January that sought to prove discrimination by looking at default rates. He found no evidence of discrimination.

But, Mr. Taylor said these technical challenges are irrelevant because the study forced a dialogue between banks and activists. "The fact that so many people have studied it lends credence to its importance," he said.

Ms. Munnell, speaking through the Treasury Department public affairs office, refused to be interviewed for this article.

In addition to concerns about her fair-lending work, bank economists cite two other areas of Ms. Munnell's work as grounds for concern.

First, they point to her proposal to levy a 15% tax on all pension funds and then assess an additional tax on every dollar added



Alicia Munnell
Assistant Treasury Secretary

to a fund. "It is difficult to understand why such a large source of potential revenue is allowed to go untapped," she wrote in *New England Economic Review* in 1989.

She later retreated on the pension tax, saying she was merely presenting it as an option. But it still shocked many economists, who said it would devastate the country's already paltry savings rate.

"That would destroy the whole pension world," said Thomas Kelly, president of the Savers and Investors League, a pro-pension fund association. "That is so far out of mainstream thinking that it is horrible."

Banking economists also point to Ms. Munnell's work on the value of public investments. A study she oversaw concluded that using taxes for public investments — such as roads and bridges — produces greater benefits than lowering taxes and allowing the private sector to spend the money.

Later studies cast doubt on her conclusions, much like later studies questioned her fair-lending results. That worries some economists.

"If somebody gets reversed a couple of times, it does make you wonder whether the next time they say something you should pay a lot of attention," said Anthony Yezer, a George Washington University economics professor.

Her supporters counter that she's imaginative and willing to

challenge the status quo.

"Sure, there were a lot of flaws in the [fair-lending] study," said William Cunningham, an economist and president of the industry consulting firm Creative Investment Research & Management. "But it was a new data set and people didn't have experience with it. She was one of the first to get out there and work with the new data."

Even some of her detractors praise her risk-taking. "Her research was imaginative," said Eugene Sherman, an analyst at M.A. Shapiro & Co.

"She didn't follow the conventional wisdom. She was willing to approach things unconventionally, which I admire enormously."

Also, Ms. Munnell knows the value of economic data, having supervised the government's primary economic forecasting arm at the Treasury Department.

And, she's publicly endorsed the Fed's anti-inflation policy. "I think it is a very sensible thing," she told the *Bond Buyer* in July 1993. "They want a level of inflation that does not interfere with decisions."

Finally, her supporters said she knows how the Fed works and what is expected from its governors.

Political observers said Ms. Munnell might be able to overcome the banking industry's objections if she didn't have to contend with the Republican-controlled Congress.

Banking committee Republicans, who must confirm any nominee, are wary about sending a liberal economist to the board because the terms of both Chairman Alan Greenspan and Vice Chairman Alan Blinder expire within the year, several observers said.

The senators may demand a package deal involving Mr. Greenspan and the other nominees, these sources said.

But, Ms. Munnell's supporters said it's too early to count her out. They said she has survived tricky confirmation battles before, noting that she secured her current job despite an intense lobbying effort against her.

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Richard F. Syron
Chairman of the Board

May 10, 1995

American
Stock Exchange

Letters to the Editor
The Wall Street Journal
200 Liberty Street
New York, New York 10281

Dear Editor:

I am writing to comment on your editorial in Tuesday's Wall Street Journal about Alicia Munnell as a potential Federal Reserve Governor. I should state, up front, that I have know Alicia, both as a colleague and as a friend, for more than two decades.

I have always been greatly impressed by Mrs. Munnell's clarity of thought and exposition on a wide array of both micro and macro economic issues. Most important in deciding on her qualifications for the Federal Reserve Board, is her ability to objectively analyze macro economic developments and to assess the risks of inflation, in particular. During the time that I was President of the Federal Reserve Bank of Boston and Mrs. Munnell served as that Bank's Chief Economist, I found she brought absolutely no bias, liberal or conservative, to that issue. She was extremely talented in reviewing economic data and making clinical determinations of the likely outlook for the economy. I am also convinced that as someone who was in the Federal Reserve during both the 1979-1981 period and the more recent recession, she is highly aware of the cost of reducing inflation once it develops.

In summary, I am convinced that Alicia would bring both substantial intellect and high integrity to the Board of Governors, crucial attributes in such an important position for our nation's future.

Sincerely yours,



RFS:kf

AMEX

To: Leslie Madelin

THE JOURNAL OF COMMERCE, Wednesday, May 10, 1995

EDITORIAL/OPINION

New Faces at the Federal Reserve

By H. ERICH HEINEMANN

President Clinton should move cautiously in making his third appointment to the Federal Reserve Board.

The dollar is under attack in international currency markets. The economy has started to slide down a slope that may lead to recession in the next 18 to 24 months. Meanwhile, the central bank is on the defensive in its battle to end inflation.

Under such circumstances, an academic bureaucrat would not be the obvious choice for the seven-member board, especially a person with no visible commitment to stable prices as the Fed's principal goal. Yet that seems to be the direction that White House operatives have decided to go.

Published reports say the leading candidate for the vacant seat is Alicia H. Munnell, assistant secretary of the Treasury for economic policy. Many people view this appointment as innocuous, an opportunity for Treasury Secretary Robert Rubin to get Ms. Munnell off his payroll and open a slot for an adviser of his own choosing. But under the law two additional vacancies at the Fed will open within the next year.

This will give the president an opportunity to appoint a majority of the governing board of the nation's central bank. Vice Chairman Alan S. Blinder's term will expire on Jan. 31, 1996, and Chairman Alan Greenspan's will run out on March 2, 1996. Mr. Blinder is a Clinton appointee, but he has given no indication whether he will remain at the Fed or return to his teaching post at

In effect, the White House has decided to ignore some sage advice from retiring Fed member John P. LaWare. In his letter of resignation, Mr. LaWare said the president should appoint a senior banker to fill his seat. "The quality of board deliberations and decisions on banking matters," he said, "is enhanced by the direct participation of a member with personal private sector experience in banking."

Prior to her move to the Treasury, Ms. Munnell was head of economic research at the Federal Reserve Bank of Boston. Despite this extensive service, she has had little contact with the business of banking.

She describes herself as a "Social Security freak." She has long argued for taxing private pension plans, for imposing inheritance taxes instead of estate taxes and for putting a dollar cap on inheritances.

The common theme through Ms. Munnell's writing is deep distrust of market forces in allocating resources and a parallel desire to boost the government's role in redistributing income. Private pension plans, Ms. Munnell has maintained, "do not do a very good job of providing economic security."

Greater reliance on private plans, she added, "would probably have a negligible impact on saving and capital accumulation."

In a 1991 paper delivered in Leningrad in the former Soviet Union, Ms. Munnell said that "to the extent that large and durable concentrations of economic power are regarded,

social mobility, taxes can be used to hinder the transfer of such advantages across generations."

Ms. Munnell did not discuss the impact of such an approach on entrepreneurial incentives. At the same time, Ms. Munnell is a longtime advocate of boosting government "investment" as a key way to increase economic growth.

By way of contrast to such views, recent experiments with private social security plans in Latin America — notably in Chile — already have produced sharp increases in saving, investment and growth.

Ms. Munnell said recently that slow and unequal growth in income is among President Clinton's central concerns. The White House response, she said, "has been initiatives to increase investment — both public and private — and investment in people. . . . These efforts will take time to pay off. . . . but investing and encouraging technology are really the only means to increase incomes in the long run."

Business investment in equipment, she told the Boston Economic Club, "is now at an all-time high." Gross investment in capital equipment does, indeed, represent a record share of gross national product at present. But net investment is what really counts for growth.

Despite a sharp recovery, this total is still well below the peaks registered in 1950s and 1960s as a share of net national product.

Depreciation charges for wear, tear and obsolescence ("capital consumption allowances") are the difference between gross and net

investment outlays rebounded in the last two years in spite of Mr. Clinton's policies, not because of them. The president's first major initiative, after all, was a big increase in taxes on upper-income individuals who do most of the saving and investing. Only time will tell the full impact of the Clinton tax program.

Ms. Munnell also boasted that Mr. Clinton had achieved a "primary" surplus (revenue minus outlays except interest) "for the first time since the 1960s."

She was correct to focus on the primary budget, but wrong about history. The Treasury had a primary surplus under President Bush. Price stability, not government redistribution of income, should be the Federal Reserve's primary responsibility.

However, many analysts disagree. "If former Secretary of Defense Robert McNamara can own up to his horrendous errors on Vietnam," *Investors Business Daily* asked recently, "why can't the Federal Reserve chairman end his misguided campaign against inflation? . . . The real battle is for jobs, growth and profits."

Sadly, the paper's editorialists, who should know better, do not understand that the only way to get sustained "jobs, growth and profits" is with an environment of stable prices. This is the real issue as the president looks for new faces for the Federal Reserve.

H. Erich Heinemann is chief economist of Ladenburg, Thalmann & Co.

AR20

The Ultimate Raid

Fussing over positions on Henry Foster's nomination may seem like an important activity to Republicans preparing a family-values brief for 1996. But the GOP is falling asleep at the switch if its focus on Dr. Foster causes it to drop the ball on Alicia Munnell.

The Surgeon General is not an important job. A Fed Governorship is another matter. The President's advisers reportedly plan to forward Ms. Munnell's name to the President, paving the way for nominating her to the Federal Reserve seat being vacated by John LaWare. If confirmed, Ms. Munnell, who currently serves as assistant secretary for economic policy at Treasury, would be the third Clinton name installed at the bank, holding a seat that expires in 2002. The Fed is responsible for our money, which of course has a lot to do with our national well-being, so it matters what Ms. Munnell thinks about the nation's economic life.

Without descending to the ad feminam level, we would first of all note that while a vice president at the Boston Fed, Ms. Munnell displayed a disconcerting enthusiasm for intrusive government. She is most widely associated with a controversial redlining study that used mortgage data to argue that banks were discriminating against blacks. Among other effects, this effort led to last year's proposal to require small businesses to fill out a "race form" delineating the racial composition of their payroll when they want to borrow money. But nowhere is Ms. Munnell's enthusiasm for government power more evident than in her proposals affecting private U.S. pension funds.

There's close to \$4 trillion accumulated in the employer-sponsored pension system in this country, and liberal strategists have talked for years about tapping into it somehow. The Clinton Labor Department already talks about "Economically Targeted Investments" (ETIs), aimed at tempting pension fund assets toward public housing, infrastructure and the like. Alicia Munnell is no exception to this impulse: Over the years she has published arguments again and again for raiding some of that dough.

In a 1992 article in the New England Economic Review, Ms. Munnell asked, "Current Taxation of Qualified Pension Plans: Has the Time Come?" In it she attacks the tax deductibility of pension benefits. Reflecting the class-based obsessions of her current boss, she wrote: "Qualified plans pro-

vide retirement income to a steadily declining and decidedly non-poor portion of the population. . . ." And: "In short," she writes, "the favorable tax treatment of compensation received in the form of accrued pension benefits does not appear to be achieving high-priority social goals."

Currently, pension funds aren't taxed until withdrawal. To achieve her "goals," Ms. Munnell wants to end the special tax status of pensions. She would go one step further and levy a tax of 15% on annual contributions and pension earnings at the fund level, and a one-time assessment of 15% on existing funds.

The funds she is talking about constitute one-third of all equities currently trading in U.S. markets. A 15% tax means Ms. Munnell wants \$600 billion, the equivalent of all personal and corporate income taxes paid in the year she published. Ms. Munnell's reach almost rivals Hillary Clinton's effort to rope in 14% of GDP. Of course, this scheme assumes that all of this money would flow into Uncle Sam's coffers rather than disappearing down thousands of tax-dodge rabbit holes, such as municipal bonds.

Then there's the matter of savings. Alarm bells are already ringing that national savings are too low to support the 76 million baby boomers about to retire. The Council for Economic Development, a private nonprofit group of corporate executives and university presidents, last week put out a paper entitled "Who Will Pay for Our Retirement?" Demography alone is already mugging our national retirement systems; Ms. Munnell's proposals bid to deliver the knockout punch.

Some may argue that an economist with ideas on the fiscal fringe doesn't automatically translate into a clear and present danger to monetary policy. But we live in an integrated economic system, and somehow the idea of having a charter member of the Democratic class-warfare club sitting on the Fed doesn't sit very well. In her confirmation hearings for appointment as assistant Treasury secretary, the Senate let Ms. Munnell get by without a long discussion about pensions or, for that matter, how economies grow. But if the Republicans somehow think it is important to pull over to the side of the road for days to investigate a proposed Surgeon General, it had better find time to check out what's driving Mr. Clinton's likely nominee for the Federal Reserve Board.

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DRI/McGraw-Hill

Roger E. Brinner
Executive Director and
Chief Economist

DRAFT

Wall Street Journal

Dear Editor:

The harsh attack you launched against Alicia Munnell in the lead editorial on May 9 was grossly unprofessional in tone and incredibly incompetent in content. If you had genuine confidence in your core criticisms, perhaps you would not have used such linguistic garbage as your clause leading off the third paragraph: "Without descending to the ad feminam level,...." Just what was that supposed to mean? But, perhaps you knew your descriptions of her policy positions were either absolutely wrong or a long stretch from reality, and hence you needed to resort to silliness in your obvious campaign to disparage every appointee of President Clinton. For example, you link her with proponents of "Economically Targeted Investments" when any reasonable reading of Dr. Munnell's policy analysis of the past two decades reveals her opposition to such policies. Or, you might have noted that when some economists thought they had discovered convincing evidence that public infrastructure spending offered exceptionally high rates of return to the nation (in spite of its popular reputation as a locus of much pork-barrel spending), Dr. Munnell directed research and a nationally publicized symposium to debunk this theory. These are certainly the opposite of the policy positions your readers would expect of someone you summarize as "an economist with ideas on the fiscal fringe."

Your opposition to President Clinton is not enhanced by shoddy, uninformed attacks against a first-class professional who has dedicated her professional economics career to serious policy research while employed in the public sector, eschewing lucrative consulting and commercial opportunities. You should promptly apologize just as prominently as you have attacked in error.

Sincerely,

Roger E. Brinner
Executive Director and Chief Economist
DRI/McGraw-Hill



THE BROOKINGS INSTITUTION

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ECONOMIC STUDIES

CC: Newman
Snyder

May 9, 1995

The Wall Street Journal
Dow Jones & Company
200 Liberty Street
New York, New York 10281

To the Editor:

The Wall Street Journal attacks the candidacy of Alicia Munnell for a seat on the FED for views she does not take and for policies about which the FED has nothing to say. But it says nothing about her views on monetary policy and regulation, which are the domain of the FED and with which, one hopes, *The Wall Street Journal* would agree.

The *Journal* suggests that because Ms. Munnell supervised a study that found *prima facie* evidence of discrimination in mortgage financing she endorses subsequent requirements that small businesses fill out burdensome forms to secure bank loans. The *Journal's* charge is undocumented and false. Ms. Munnell opposes such intrusive regulations.

The *Journal* links her to an idea to direct pension fund accumulations to "economically targeted investments," a strategy espoused by some Clinton administration officials, but not by the Clinton Administration. Furthermore, this policy is one that Ms. Munnell explicitly opposes. The *Journal* should get its facts right.

Finally, there is the much bruited issue of taxing pension fund accumulations. If the FED had anything to do with tax policy, the *Journal's* criticism of an idea Ms. Munnell put forth in an academic article several years ago and has not mentioned during her service in the Treasury Department might have some merit.

But the FED deals with monetary policy, not tax policy. In this area, Ms. Munnell's views are clear -- to prevent excessive monetary growth that would kindle inflation. She does not, it is true, support a return to the gold standard to straightjacket monetary policy. But the *Journal* would be hard put to find a worthy candidate who did. If the *Journal* is genuinely interested in sound management of the economy and not in misrepresenting the views of a highly competent fiscal moderate, it should at a minimum, not fabricate charges that she is on the fiscal fringe.

Sincerely yours,

Henry J. Aaron
Henry J. Aaron
Director, Economic Studies



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Economic Studies Program

April 28, 1995

The Washington Times
 3600 New York Avenue, N.E.
 Washington, D.C. 20002

To the Editor:

In trying to derail Alicia Munnell's rumored appointment to the Board of Governors of the Federal Reserve, *The Washington Times* seems prepared to attack Ms. Munnell for positions she has not taken and to misrepresent those she has taken.

Rather than favoring the use of Social Security reserves to cover deficits elsewhere in the budget, Ms. Munnell before serving in the Clinton Administration favored Senator Moynihan's proposal to move Social Security financing to a pay-as-you-go basis, which would have prevented the practice *The Washington Times* ostensibly deplores.

The Washington Times charges that she is weak on policy to promote price stability, but then presented exactly no evidence—zero, nil—to support this charge. Instead, it invokes a recommendations on pension taxation she made at a scholarly conference well before joining the Clinton Administration, despite the fact that the Federal Reserve has no voice on tax policy.

It also attacks a study of the Boston Fed, which found evidence of discrimination in the fact that black applicants for mortgages are approved less often than similar white applicants. It reports that similar default rates in white and minority census tracts, as if this fact refuted the finding of discriminatory lending practices. In fact, it seems to confirm the rumored practice of geographic "red-lining," something that seems not to perturb the editorial writers of *The Washington Times*.

Hey, guys. Even hatchet jobs have certain standards.

Sincerely yours,

Henry J. Aaron
 Director

The great pension-fund robbery

By Jim Saxton

All eyes are focused on the new Congress. Behind the scenes, however, President Clinton continues quietly to use administrative edicts and regulatory decrees to expand government's reach and extend his liberal social agenda. In no other area is he having a greater impact than with policy governing Americans' private pension funds.

In the investment world, the administration's gambit is called "social investing." Social investing consists of directing and channeling private

Every American who plans on retiring someday should be very concerned.

pension investments into so-called socially desirable projects, such as public housing, infrastructure, job creation schemes and other pet projects of politicians. It has been tried before with public employees pension monies and has invariably failed. The administration tries to erase the stigma attached to social investments by renaming these social projects "Economically Targeted Investments" or ETIs.

Are ETIs Risky business? You bet!

The administration has pursued a devious behind the scenes, incremental approach to promoting ETIs because it knew that the pension community would offer stiff resistance and million of pensioners would be outraged if ETIs were sprung all at once. Stage one, therefore, began during the 1992 presidential campaign when candidate Clinton promised to create an \$80 billion "Rebuild America Fund" leveraged with state, local and private-sector pension funds.

Stage two in Clinton's great pension grab came last June when Labor Secretary Robert Reich issued Interpretive Bulletin #94-1 (IB-94-1), which defined ETIs in a way designed to make them seem consistent with the federal law that protects private pensions funds from precisely

this kind of monkeying around (The Employee Retirement Income Security Act—ERISA).

Stage three was the establishment of a "clearinghouse" intended to "showcase" the investments and give them the federal government's "good-housekeeping seal of approval." The Clinton Labor Department, without congressional authorization, intends to spend \$1.2 million to get the clearinghouse up and running, after which it will be spun off as a private operation.

Stage four is now in the process of unfolding. It has been widely reported in the press that the president will nominate Assistant Treasury Secretary Alicia Munnell to be the next governor of the Federal Reserve Board. Not long ago, Ms. Munnell proposed a 15 percent federal tax on private pension funds to finance the liberal social agenda. Ensnared at the Fed, Ms. Munnell will be strategically situated to help the administration execute its grab for private pensions.

The language of ERISA is unambiguous. A pension fund manager is required to "discharge his duties with respect to a plan solely in the interest of the participants and beneficiaries and for the exclusive purpose of (i) providing benefits to participants and their beneficiaries; and (ii) defraying reasonable expenses of administering the plan."

In addition to ETIs' obvious conflict with ERISA, the economic research indicates that pension funds which target social investments produce yields well below market averages.

In light of the empirical research on ETIs and given their dubious legal standing, stage five becomes easy to predict. The administration will seek ways for the federal government to offer subsidies and guarantees to inoculate trustee from culpability when ETIs get into trouble.

In an information packet distributed to congressional offices by the Clinton Labor Department, there is a revealing article by Richard Ferlauto of the Center for Policy Alternatives in Washington, laying out the true agenda behind ETIs. Although the administration proclaims publicly that ETIs are comparable to other investments, Mr. Ferlauto admits otherwise:

"ETI programs must be enhanced through the development and use of appropriate risk reduction mechanisms. Examples include state-funded loan guarantee programs, state or private insurance pools, and insurance premiums charged to the borrowers loan loss reserve pools, equity contribution form trust funds, low inter-

est loans, and targeted subsidies."

This startling admission reveals not only that pension funds are at risk, but that taxpayers will be put at risk as well. Sound familiar? It should. It's savings and loan crisis *deja vu*, all over again.

The final stage of the great pension fund grab now comes clearly into focus: an ETI investment quota for all private pension funds similar to the loan quotas now being imposed on bank by the Clinton Justice Department. The Center for Policy Alternatives suggests a 5 percent quota on ETIs for state and local public pension funds. If a 5 percent ETI quota had been imposed on all pension funds in 1993, the government would have conscribed a whopping \$175 billion into the compulsory economic service of the US government.

Today, I am introducing a bill, the Pension Protection Act of 1995, that will protect the 36 million private pension participants from Mr. Clinton's pension-fund grab. ERISA couldn't be clearer: Trustees may not invest in ETIs because by definition ETIs seek to benefit someone other than solely the participants and beneficiaries of the pension. My bill removes any uncertainty by



making it unambiguously clear that "solely means solely, not 'primarily' or even 'overwhelmingly.'"

My bill also will prohibit the federal government from guaranteeing, subsidizing or encouraging social investments. And, it will put an end to the clearinghouse.

Every American who plans on retiring someday should be very concerned about what the Clinton administration is up to. I believe that if we act quickly, we can ensure that everyone working today can rest easy tomorrow.

Rep. Jim Saxton, Republican of New Jersey, is vice-chairman of the Joint Economic Committee

years, Brother was watching another little visit was paid to yet another citizen, Horacio Grana, who legally immigrated from Mexico and who supported 187. After a federal judge blocked the successful ballot measure in a court ruling, Mr. Grana wrote to the judge objecting to the ruling and giving his name and address. A few days later US marshals showed up to quiz him about it. "I told them I have the right to freedom of speech," Mr. Grana says. "They had a very bad attitude with me. It was like Gestapo tactics."

President Clinton leapt at the chance to blame his political critics on the right for the Oklahoma City atrocity, and the federal leviathan wastes no time investigating law-abiding supporters of immigration reform, but no one cares that left-wing extremist Hispanic activists have long openly called for violence and insurrection and pushed for the disintegration of the country. If this is an example of what the president means by "counter-terrorism," it makes you wonder if maybe the militias don't have a point.—

vakia and wanted to know what to do. The Germans had ordered all Czechoslovak troops to report to camps. My father told my Uncle Felix to ski over the Tatra mountains to Poland. But Felix was caught by the Polish border guards and sent back. He then hid out for a few weeks and went over again with smugglers, making it to Krakow. From there he contacted my father who arranged a visa to England. Uncle Felix caught the very last boat before Germany invaded Poland, cutting off all escape for Jews.

Then my mother saw Hitler march into Paris, after France surrendered. She immediately left, not even returning to her rented room for her things. Instead she began the long walk south along roads flooded with refugees and strafed by German planes. She recalls how she threw herself to the ground in the ditch by the road and after the planes stopped attacking, realized she was face down in cow manure.

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Richard F. Syron
Chairman of the Board

May 10, 1995

American
Stock Exchange

Letters to the Editor
The Wall Street Journal
200 Liberty Street
New York, New York 10281

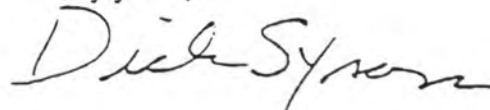
Dear Editor:

I am writing to comment on your editorial in Tuesday's Wall Street Journal about Alicia Munnell as a potential Federal Reserve Governor. I should state, up front, that I have known Alicia, both as a colleague and as a friend, for more than two decades.

I have always been greatly impressed by Mrs. Munnell's clarity of thought and exposition on a wide array of both micro and macro economic issues. Most important in deciding on her qualifications for the Federal Reserve Board, is her ability to objectively analyze macro economic developments and to assess the risks of inflation, in particular. During the time that I was President of the Federal Reserve Bank of Boston and Mrs. Munnell served as that Bank's Chief Economist, I found she brought absolutely no bias, liberal or conservative, to that issue. She was extremely talented in reviewing economic data and making clinical determinations of the likely outlook for the economy. I am also convinced that as someone who was in the Federal Reserve during both the 1979-1981 period and the more recent recession, she is highly aware of the cost of reducing inflation once it develops.

In summary, I am convinced that Alicia would bring both substantial intellect and high integrity to the Board of Governors, crucial attributes in such an important position for our nation's future.

Sincerely yours,



RFS:kf

AMEX

Boston Sunday Globe

WILLIAM O. TAYLOR
Chairman of the Board and Publisher
BENJAMIN B. TAYLOR, President

MATTHEW V. STORIN, Editor

H.D.S. GREENWAY, Editor, Editor

A bankers' banker

Floating the name of Alicia Munnell as nominee for a vacant seat on the Federal Reserve Board has drawn fire out of proportion to the occasion and inappropriate to the position. President Clinton may or may not send her name to the Senate, but her qualification for the job seems beyond doubt, and for exactly the reasons she is being criticized.

Munnell, who was senior vice president and director of research at the Federal Reserve Bank of Boston before joining the Clinton administration as an assistant secretary of the Treasury, presented a paper in 1991 discussing the pros and cons of changing the tax treatment of private pension plans. She advocated shifting from the current situation, in which pensions are not taxable until beneficiaries receive benefits that they report as ordinary income, to a system in which contributions and investment income would be taxed at a rate of 15 percent, plus a one-time 15 percent tax on existing assets, which would be offset by eliminating the tax on benefits and a sharp reduction in pension regulation.

The arguments pro and con are largely technical. They include broad equity questions. The postponement of taxes is an indirect subsidy available primarily to persons in the upper half of the income scale; research casts doubt on whether the

subsidy encourages additional savings and investment; Treasury revenue losses are substantial: more than \$50 billion annually.

Munnell is no raging liberal on economic issues, as demonstrated by this aside in the paper: "A well-designed consumption tax, with a nice progressive rate structure and bequests included in the tax base, would be a perfectly acceptable alternative to the present personal income tax." Nevertheless, she was excoriated in a recent Wall Street Journal editorial for discussing the question at all, and now 10 Republican senators have joined the choir.

One of her notable accomplishments at the Boston Federal Reserve Bank was a careful study of bank lending practices that found disproportionately low credit availability for minorities. Even though almost all institutions had made genuine attempts to reverse the old practice of routinely rejecting minority credit seekers, the study uncovered unintentional bias. No blame was involved, merely enlightenment. Even bankers now applaud the study.

Munnell's capacity for the careful study of detail and her recognition of complexities are exactly the qualities one would hope for in any member of the Federal Reserve Board. Munnell might not make it, but her profile fits the job description.

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Economic Scene

Peter Passell

The right's knee-jerk reaction:
Fed hopeful is a knee-jerk liberal.

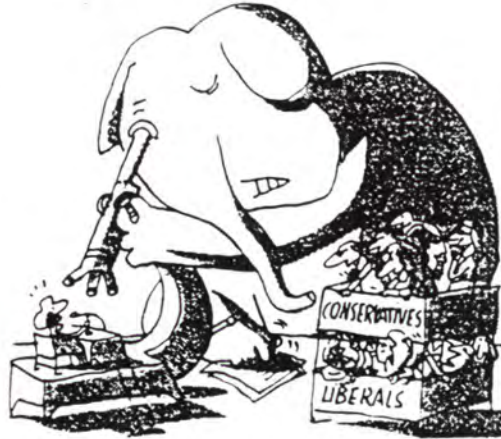
HELP WANTED: Centrist economic policy maker. Modest salary, but substantial power, prestige and perks. Ability to stay awake at long meetings a must.

The White House thought it had come up with an ideal candidate for the current opening on the Federal Reserve's seven-member board of governors. She is Alicia H. Munnell, the Assistant Secretary of the Treasury for Economic Policy, who had earlier worked her way up the through the ranks to become a senior vice president at the Federal Reserve Bank of Boston.

But for reasons not entirely clear, torpedoing the appointment is becoming a right-wing cause. The question now is whether President Clinton will actually submit her name. Or he may duck another confirmation fight where, in the words of Herb Stein, an economic adviser to President Richard M. Nixon (and no liberal), "the opposition is based on irrelevancies"

Ms. Munnell is no shrinking violet, but she has not been particularly controversy-prone. After earning a Ph.D. from Harvard in 1973, her public face has largely consisted of scholarly books and articles about retirement policy, tax reform and investment in public works.

Once in Washington, she dutifully adopted the Treasury's traditional role of prudent parent to the unruly adolescents making waves at Federal agencies with their own special-interest constituencies. She fought environmental hard-liners on Superfund, arguing for streamlined procedures to clean up toxic wastes. She beat back apparatchiks in the Labor Department who wanted private pension funds to make "socially useful investment." Most important in the context of the Fed job, she helped mute White House criticism of the



Nicolae Asciu

central bank's anti-inflation policy.

Nonetheless, Paul Craig Roberts, a syndicated columnist who briefly led the "supply-siders" in the Reagan Administration, began crusading against her last fall, choosing to make Ms. Munnell the Clinton Administration's poster girl for Big Government. And last week a Wall Street Journal editorial denounced her as "an economist with ideas on the fiscal fringe."

Since then, 10 Republican Senators, including Phil Gramm, a Presidential contender, wrote to Mr. Clinton. They urged him to give the Fed job to someone with "a keen eye toward the stability of our currency and the importance of keeping our capital markets free from burdensome regulations, taxes and mandates." If there was any doubt what they meant, Senator Connie Mack of Florida sent along a press release alluding to Ms. Munnell's alleged heresies.

What is going on here? The Wall Street Journal editorial lumped her with liberals who want to tap pension cash for low-income housing and regional development. In fact, her own analysis of social investing — published in the New England Economic Review — concluded that this approach to

ccm

investing was "alarming" because pensioners would bear the risk.

Another beef with Ms. Munnell's views concerns the tax treatment of pensions. She noted in an article in the National Tax Journal that deferral of taxes on employer-sponsored pensions cost the Treasury \$51 billion in revenues in 1992. Yet only half the population benefits, with much of the break going to upper-income families. And in Ms. Munnell's reading of the numbers, the net addition to private savings is offset by the negative impact on public savings through the Federal budget. Her suggestion: tax the income accruing in sheltered pension funds.

That recommendation may be anathema to members of Congress who have never met a tax expenditure they didn't like. But in Mr. Stein's view, it is an "entirely reasonable point" to weigh the adverse impact on income distribution against the positive incentives to save. And, while controversial, it is hardly radical economics.

• • •

What, then, is really eating Ms. Munnell's critics? Probably not her attitude toward the Fed's core task of sustaining a healthy, low-inflation economy. For one thing, there is no hint that she disagrees with the semitough approach to monetary policy now in place. For another, her most vociferous critics are supply-siders who think the Fed is already too tough on inflation.

A more plausible explanation is that the banking industry still quietly blames her for the Boston Fed's study finding racial discrimination in lending. If that is the case, however, the bankers may be directing their ire at the wrong target. Indeed, while the Justice Department is trying to use civil rights laws to force banks to set up branches in poor neighborhoods where blacks are concentrated, the Boston Fed merely called for vigilance and better training for loan officers.

The very idea that a candidate with Ms. Munnell's credentials is fodder for a fight suggests just how vulnerable President Clinton must appear to Republicans. It may behoove him to fight, if only to demonstrate that appearances deceive.

Alicia Munnell and the Fed

The Democratic agenda is dead on Capitol Hill. It's not surprising, therefore, to see the Clinton administration concentrate on the levers of power available to the executive branch, including consent decrees and executive orders. Indeed, a little subcabinet cabal seems to be coalescing to achieve goals administratively that cannot be reached legislatively. Unlike state and local governments, which comprised the major policy arenas during the era of unfunded mandates, today's principal targets are private institutions, especially those with lots of cash — banks, pension funds, etc.

Among the numerous executive-branch officials spearheading this Congress-bypassing power grab are Deval Patrick at Justice, soon-to-depart Robert Achtenberg at Housing and Urban Development, Olena Berg at Labor and Comptroller of the Currency Eugene Ludwig. Assistant Treasury Secretary Alicia Munnell, a Harvard-trained economist and a former vice president and research director at the Federal Reserve Bank of Boston, seems to have assumed the role of primary theoretician for the little group.

Ms. Munnell's name has recently surfaced on two short lists for major economic appointments: an open seat on the Federal Reserve Board and the chairmanship of the President's Council of Economic Advisers (CEA). Presidents deserve to receive economic advice from whomever they choose, and Ms. Munnell's appointment to chair the CEA would draw no fire from here — despite major disagreements with her views on economics.

The Federal Reserve Board is another matter. Appointment to a 14-year term at the Fed would come at a time when the central bank is poised to achieve long-term price stability, a goal many in Congress seek to legislatively establish as the Fed's principal responsibility. It has been a long, difficult road, which began with the serious recession the Fed imposed in 1981-82 to douse the inflationary fires of the Jimmy Carter era, when his handpicked chairman, G. William Miller, pursued accommodating monetary policies that produced stagflation.

Ms. Munnell would bring with her all sorts of baggage that runs contrary to price stability and that would thwart the Fed's role as banking regulator. At the Boston Fed, she gained fame for a controversial study purporting to prove racial discrimination in mortgage lending. Compared to an 11 percent rejection rate for whites, bankers rejected 17 percent of minorities — the differential being ascribed to racism. Led by the Wall Street Journal, the media trumpeted the findings. *Forbes* magazine, however, learned from Ms. Munnell that the default rates in

the study's minority and white census tracts were identical, suggesting that mortgage lenders "somehow weeded out the extra risks among minorities, down to the point where white and minority defaults were at an equal, apparently acceptable rate." Asked for evidence of discrimination, given the equal default rates, Ms. Munnell told *Forbes*, "I do not have evidence. . . . No one has evidence." Evaluating the Munnell study by considering additional factors, such as the availability of cash for closing costs, Federal Deposit Insurance Corp. economist David Horne found no discrimination at all and concluded her study was fatally flawed.

Not surprising, the Clinton administration's solution to the nonexistent problem includes "voluntary" dollar targets for minority-area lending and statistical tools to measure compliance. Assistant Attorney General Patrick has begun obtaining lenders' signatures on consent decrees — "voluntary," of course — that will increase default rates and increase the costs of mortgages for qualified borrowers. Having borrowed \$150 billion to clean up the failed savings and loans from the 1980s, the federal government is now sewing the seeds for a future debacle.

Even more ominous are Ms. Munnell's ideas about pensions. As a reputed expert on Social Security, she certainly knows that her administration is planning to "borrow" — and spend — nearly a half-trillion in Social Security trust-fund surpluses during the next five years. Yet she has also recommended that the government tax — and, therefore, reduce — private pension contributions by 15 percent a year, transferring \$50 billion per year from future retirees' income to finance current government social programs euphemistically called "Economically Targeted Investments." She would also impose a "one-time" 15 percent tax on the \$3 trillion in accumulated workers' pensions, diverting another \$450 billion of pension funds to political purposes.

Should Mr. Clinton nominate Ms. Munnell to the Fed, senators need to ask themselves these questions: Recalling the catastrophic consequences of Jimmy Carter's and Richard Nixon's efforts to politicize monetary policy, do they really want to endow the Fed's awesome power one year before a presidential election upon someone who so brazenly politicizes the banking industry? What kind of commitment to long-term price stability can be expected from someone whose political agenda includes raiding workers' pensions, while simultaneously looting their Social Security benefits from the trust fund, in order to finance "Economically Targeted Investments"? The job opening is Federal Reserve Board governor — not social engineer-in-chief.



Stanley K. Sheinbaum

Gift form submitted

THE PRESIDENT HAS SEEN

5/22

May 2, 1995

President Bill Clinton
The White House-West Wing
1600 Pennsylvania Ave., NW
Washington, DC 20500-2000

Dear President Clinton:

I urge you to have the relevant person in your shop take a look at this CSPAN tape of April 24. It is of four leaders (list enclosed) of national Arab American organizations in a press conference talking about Oklahoma City and the treatment that Arab and Muslim Americans received immediately after the bombing of the Federal building there. Some of it is pretty gruesome.

There is such a negative instinct in this country about Arabs and Muslims that even after it was recognized that the blame for the bombing did not rest with them avoidable errors were still being made toward them, even by officials. For example, they should have been included in the big prayer session on Sunday. They asked to be included, but were not. Apparently every other religion and nationality was.

The worst occurrence was an incident before it was realized that neither Arabs or Muslims were involved. Some Americans in their anger began to beat down the front door of one Arab American family. The mother was pregnant, and in that frightening moment she lost her baby. That doesn't even need comment.

I urge that even with all you are faced with in responding to the demands of the Oklahoma City bombing generally you should make some rectification action toward this country's Arabs and Muslims. The effect of being treated like second and third class citizens--niggerdom, if you will--is not only amoral it is deeply damaging the self esteem of these people. They are Americans, after all.

Respectfully,

SKS/kc
clinton8
enclosure

COUNTER-TERRORISM LAWS AND THE OKLAHOMA CITY BOMBING

COUNCIL OF PRESIDENTS OF NATIONAL ARAB-AMERICAN ORGANIZATIONS

GUESTS

- | | |
|--|--|
| 1. KHALIL JAHSHAN
EXECUTIVE DIRECTOR | NATIONAL ASSOCIATION OF ARAB AMERICANS |
| 2. ABDURAHMAN ALAMOUDI
EXECUTIVE DIRECTOR | AMERICAN MUSLIM COUNCIL |
| 3. ALBERT MOKHIBER | AMERICAN-ARAB ANTI-DISCRIMINATION
COMMITTEE |
| 4. JIM ZOGBY
PRESIDENT | ARAB AMERICAN INSTITUTE |

COUNTER-TERRORISM LAWS AND
THE OKLAHOMA CITY BOMBING
COUNCIL OF PRESIDENTS OF
NATIONAL ARAB-AMERICAN
ORGANIZATIONS 4/24/95





Mar./Apr. 1995

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THE AGRICULTURAL MAGAZINE WITH WORLDWIDE READERSHIP



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THE PRESIDENT HAS SEEN 5/22



May 19, 1995

President William Jefferson Clinton
The White House
Washington, DC 20500

Dear Mr. President:

What a pleasure it is for me to represent Eddie Bauer, Inc. at the 75th anniversary celebration of the Women's Bureau, and what an honor to be included in the White House reception today.

We are celebrating a 75th anniversary at Eddie Bauer this year, too. It was in 1920 that Eddie Bauer, the renowned outdoorsman, opened his first retail store in Seattle. Since then, we have grown to nearly 400 stores throughout North America and in Japan and also maintain a thriving catalog business.

The Eddie Bauer associates (all 12,000 of us) are proud to present the First Family with a sampling with some of our fine products and hope that you will use them in good health. While we haven't included a specific gift for Socks, we have included some pairs of Eddie Bauer socks in honor of him.

Thank you for recognizing the Women's Bureau's 75th anniversary at today's reception.

Very truly yours,

Sue Storgaard
Director, Work/Life Quality

Thank
you
Sue
for

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THE WHITE HOUSE
WASHINGTON

95 MAY 22 P 1 : 42

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: TOM DONILON

Fax Number: 736-4495

Phone Number:

FROM: JOHN PODESTA

SUBJECT:

DATE: 5/22/95

NUMBER OF PAGES (including cover sheet): 6

MESSAGE:

If all pages are not received, please call 202/456-2702

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THE WHITE HOUSE
WASHINGTON

DATE: May 22, 1995

TO: Tony Lake

FROM: JOHN D. PODESTA
Assistant to the President and
Staff Secretary

CC: Andy Sens
Mike McCurry
*Tom Donilon

Important

MEMORANDUM

TO: JOHN PODESTA

FROM: BOB NASH, Assistant to the President and
Director, Office of Presidential Personnel

DATE: 5-22-95

SUBJECT: Letter from two Americans in prison/IRA

The Attached Letter was routed to The State Dept.
& our White House Liaison (Charles Duncan) sent it
to White House Personnel.

I received the Letter this morning at 7:50 A.M.

I would like to leave this Letter with
you.

William E. Barloon
David L. Daliberti
Abu Ghraib Prison
Baghdad, Iraq

President William Clinton
1600 Pennsylvania Ave
Washington, D.C.

May 10, 1995

Dear Mr. President,

Our names are William Barloon and David Daliberti. We are Department of Defense contractors working for McDonnell Douglas Aerospace and Kay and Associates, Inc., respectively. We are presently serving an eight year sentence in Abu Ghraib prison in Baghdad, Iraq, for illegally entering Iraq from Kuwait.

The events leading up to our inadvertant crossing the border from Kuwait into Iraq are very simple. We were attempting to visit friends of Mr. Daliberti's at the United Nations Camp Khor Base within the country of Kuwait. We made a wrong turn and unwittingly ended up at the United Nations checkpoint leading into Iraq and to UNIKOM Headquarters. At this checkpoint the United Nations sentry made the mistake of allowing us to proceed, after looking at the identification we presented him. The United Nations has publicly admitted that it was their fault/mistake to let us proceed through that checkpoint. (Reference: U.N. Briefing 5.4.95 Lt. General Krishna Khapa - UNIKOM Headquarters Um Qasr to A.P.

Our present situation is deplorable. Our physical health is

consistently deteriorating. We have both lost a large amount of weight. I, William, have never had a heart attack in the past, however the events of the evening of May 1, 1995 were indicative of one. During the two hour trauma, one of the attending doctors was quoted as saying that this episode will cause scarring to my heart. I have a family history of heart disease with my natural father having died when I was four years old and my mother having quadruple bypass surgery in the last 5 years. I am presently being treated for high blood pressure. David has already had four instances of severe chest pains related to angina and heart disease. He also has a history in his family of heart disease. His father has had 3 severe heart attacks over the last twenty years and his mother suffered congestive heart restriction in October of 1994. David is being treated for angina and coronary artery disease of the left side of the heart.

We feel that our physical health is related directly to our mental health. We are both suffering from depression and severe anxiety. We feel that we have been unduly incarcerated through no fault of our own. We have reached a point of hopelessness due to the fact that the U.N. has admitted their mistake, however, we are paying the price of their mistake. The hopelessness we feel in our situation is also based on the fact that we have had no input as to what the U.S. Government or the United Nations is doing to secure our release, if anything. Though our families have received assurances from various sources that everything possible is being done to free us, these assurances are of little comfort to us as we are locked in our

6 foot by 8 foot cell every night.

Mr. President, we implore you to do what is necessary to end this needless suffering for us and our families. I ask that you refer back to the CNN interview between Brent Saddler and the Iraqi Minister of Information, Mr. Hamad Yusuf Hamadi which was broadcasted in early April. In that interview the minister clearly stated that a precedence has been set in the past (1993) as to the procedures to secure our release. We ask that you refer back to this previous situation and implement the required steps.

Both David and I have served the U.S. Government either directly or indirectly for over twenty years each. We ask that you not leave us here so long that we suffer irreparable emotional and physical damage. We have families and children that need us!

Tell me, Mr. President, for my sake, David's sake and our families sake, how high will the price be that we pay for the mistake of the United Nations?

William E. Barloon

William E Barloon

David L. Dahiberti

DAVID L. DAHIBERTI

THE WHITE HOUSE
WASHINGTON

DATE: May 22, 1995

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Assistant to the President and
Staff Secretary

CC: Andy Sens
Mike McCurry
Tom Donilon

Important

MEMORANDUM

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William E. Barloon

William E Barloon

David L. Daliberti

DAVID L. DALIBERTI



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*I've sent a
copy to Tony &
Sandy*

Leon Gilman talk

NSMITTAL

of pages 3

From *Carol Lancaster*
Phone # *647-8578*
Fax # *647-1770*
244
5099-101
GENERAL SERVICES ADMINISTRATION

May 18, 1995

THE PRESIDENT HAS SEEN 5/22

1st Deputy
Administrator

MEMORANDUM FOR MS. MELANNE VERVEER
Deputy Assistant to the President
Deputy Chief of Staff to the First Lady
The White House

FROM: *Carol Lancaster*
SUBJECT: The Demise of Foreign Assistance

You no doubt have been reading about Congressional action involving the foreign affairs agencies (including USAID) in the papers and elsewhere. I wanted to make sure you knew the details and implications of what authorization bills House and Senate committees have passed. News reports seem to suggest that the Congress is acting in a "responsible manner" to deal with obsolete bureaucracies left over from the Cold War and that the provisions of their bills will inevitably be enacted. The first assumption could not be further from the truth. I hope that is also the case with the second.

The Gilman Bill, now ready for floor debate and vote in the House (next Thursday), contains a number of provisions the implications of which I suspect are not even well understood by the Republicans;

-- cuts in bilateral development assistance of 30% or more
(including a substantial cuts in our operating expenses)
which will force us to do several things:

- RIF 1000 of our 3000 direct-hire staff, beginning as soon as the bill is enacted;
- close down a substantial number of our missions abroad beginning immediately.
- significantly reduce or eliminate programs in many countries. These cuts are too draconian to permit "shaving."

-2-

- Roughly one third of the \$1 billion in development assistance left to be allocated wherever we can continue to operate would be earmarked for child survival activities alone. Our bilateral aid would likely fund that and population/family planning activities abroad and little else. We would, in effect, be out of the development business, remaining in just a few single sector activities (which by themselves may prove programmatically and ultimately politically unsustainable).

The Gilman Bill would also force us to merge into the Department of State, with pieces of what USAID does scattered in a variety of places in State (but giving State regional Assistant Secretaries the ultimate say in what programs were or were not funded in their region -- in effect, a bank account for them.)

These are just a few of the provisions of a profoundly irresponsible bill, which would not only wreak development programs as we know them now but would have the Congress making irresponsible choices affecting U.S. foreign policy and imposing them on the President.

It looks like the Gilman Bill will pass the House on a party line vote. However, the Democrats may not hold together in opposing it. AIPAC is now urging members to vote for the bill since "it is foreign aid" and does no harm to monies for Israel and Egypt. We know Congressman Gingrich is supporting passage of the bill as proof of the "internationalist" orientation of the Republicans. This is pure nonsense, given the contents of the bill but folks are not yet focussing on the contents or their implications. (This is hardly surprising, given the almost complete lack of debate on the bill's provisions and the way it was rammed through markup.)

Even if this bill is not enacted, its passage in the House next week will set a framework in which appropriators will feel compelled to mark up their bill. They are due to begin work the week after Memorial Day.

If the Gilman Bill is profoundly irresponsible, the Helms Bill is even more so. It cuts budgets even further, requires us to RIF one half of our staff, flings aid programs hither and yon throughout the Department of State and would probably prevent us from financing much besides security related activities abroad. (The intent of the bill's language is still unclear even to the lawyers.) My personal favorite in the Helms Bill is a two year jail term for anyone responsible for failing to respond to Congressional correspondence within 21 days. It also requires

the Administration to establish diplomatic relations with Tibet. Mark up of this bill was almost completed yesterday -- again with votes along party lines.

It may be hard to take the Helms Bill or even the Gilman Bill seriously. Yet it is clear the Republicans will pass them. Even Senators Lugar and Kassebaum have voiced support of the Helms Bill, clearly a tactical position for them but no less destructive.

X (If the White House remains silent on these bills through this weekend, it is likely that Gingrich will claim the initiative as an internationalist in next week's debate. It will then be that much more difficult for the President to oppose the bills and pin the well deserved "irresponsible" label on the Republicans, where it belongs. If the White House remains silent, the House and Senate Democrats will be left to figure out what sort of votes on these bills most benefit them rather than the Administration or the country.

On a personal note, I cannot tell you how discouraging the situation is for all of us who have worked so hard to improve the way this Agency functions and supports our country's goals abroad. It is not our jobs we want to protect -- I have one to return to -- but, the thoughtless and apparently imminent destruction of policies and programs we all believe in. Perhaps what we do is too small to be worth saving in the political tidal wave that threatens so many government programs. But that, in my view, would be very tragic.

THE WHITE HOUSE

WASHINGTON

May 22, 1995

Mr. Stephen M. Blitz
Gibson, Dunn & Crutcher
2029 Century Park East
Los Angeles, CA 90067-3026

Dear Steve:

This provides a final response to your letter dated June 21, 1994, regarding the proposed revisions to the processing manual for the Reagan Presidential Library. You raised several concerns about the proposed changes dealing with Restriction (a)(1) of the Presidential Records Act (PRA) which we have carefully considered and discussed with the National Archives. We also have consulted with the Office of Legal Counsel at the Department of Justice which, as you know, has been very helpful to all of us in interpreting various provisions of the PRA.

I asked the National Archives (through Miriam Nisbet in the Archivist's Office, working with Nancy Smith in the Office of Presidential Libraries) to incorporate a number of your suggestions into the revisions for the processing. As you will see from the enclosed revised pages, we agreed with almost all of your suggestions. I wanted, however, to address several other points in more detail.

The Executive Order on national security information is where the PRA directs us to look in determining whether the (a)(1) restriction applies to a specific record. The Office of Legal Counsel has opined that the PRA and the new Executive Order, which goes into effect October 14, 1995, require the referral for classification review of Presidential records containing or consisting of both agency-originated and Presidentially-originated information when those records become subject to a FOIA request or a request for mandatory declassification review. (Both E.O. 12356 and new E.O. 12958 expressly provide for systematic review of Presidential records; the relevant provision in each is applicable to all Presidential records, regardless of whether they are subject to PRA restrictions.) As standard procedure, we expect that the former President will be consulted with regard to the application of any of the restrictions that he has specified. This consultation procedure will be followed unless the former President has determined that the archivists may apply restrictions to particular kinds of documents in accordance with guidelines that he has set. Therefore, we agree that the

former President will continue to play a crucial role in making these determinations.

The very words of PRA restriction (a)(1) impose on the Archivist a legal duty to determine whether the asserted national security information is "in fact properly classified" and preclude her from relying exclusively on the classification stamp. Instead, the PRA directs that she exercise her discretion in determining access to classified information after seeking the advice of the agencies with primary subject matter interest and expertise with regard to that information. Conducting a current classification review additionally reduces the substantial risk of litigation if we were to forgo consultation altogether. As you know, the Archivist's PRA restriction determinations themselves are not subject to judicial review. 44 U.S.C. § 2204(b)(3). We believe, however, that a court, when asked, would review the procedures of the Archivist. The government would be considerably better off defending the Archivist's exercise of discretion in applying the (a)(1) restriction if the information at issue had been referred to the appropriate agency or agencies for a current classification review.

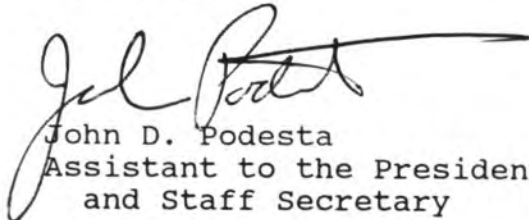
Your letter also suggests that records are to be reviewed under the Executive Order that was in effect at the time of classification. Because PRA Restriction (a)(1) has the same scope as FOIA Exemption (b)(1), however, the Executive Order that is operative for FOIA purposes is also operative for PRA purposes. Under FOIA case law, the Executive Order in effect at the time the agency reviews the classification status in order to respond to a FOIA request is the operative Executive Order.

Finally, Paragraph 7 of your letter suggests that the proposed language dealing with "potentially classifiable" documents be deleted or, alternatively, changed to state that, "If a document contains information described by any of the categories in Sec. 1.3(a) of E.O. 12356, but the document is neither marked or declassified, the document will be addressed as though it contains classified information for purposes of consultation, referral and review pursuant to the provisions of this Manual." We believe that your suggested language is fine, so long as it is understood that this means that such documents will be referred for a current classification review. The concern expressed by the Office of Legal Counsel is that the Library cannot be in the position of having claimed that a document falls within PRA Restriction (a)(1) as being "in fact properly classified" pursuant to an Executive Order, when the document has not been reviewed and marked by an official with classification authority. The need for this step is underscored by the new Executive Order, which defines "classified national security information" as that which "has been determined pursuant

to this order or any predecessor order to require protection against unauthorized disclosure and is marked to indicate its classified status when in documentary form." E.O. 12958, Sec. 1.1(c). We have made one addition to your above-quoted language to take into account the new Executive Order: After the reference to E.O. 12356, we have added the words "or, after October 14, 1995, Sec. 1.5 of E.O. 12958."

I appreciate your having raised these concerns and hope that this letter is helpful in resolving any remaining issues. Marvin Krislov and I will be pleased to talk further with you and the others who have been involved in our discussions on PRA matters.

Sincerely,



John D. Podesta
Assistant to the President
and Staff Secretary

Enclosure

cc: James Cicconi
Marvin Krislov
John Mintz
Ted Olson
Richard Norton Smith