

THE PRESIDENT HAS SEEN
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January 8, 1999

Memorandum to the President

From: Al From

Subject: The State of the Union and Your Last Two Years

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In this memorandum, I will outline the approach I think you ought to take in your State of the Union address, an approach that I hope will allow you to frame the debate for the next two years and solidify your legacy as a Third Way reformer.

I know this is an awful time for you, but I'm confident that, in the end, even this shall pass.

Despite all of the discomfort of the past year, I believe you have the opportunity to leave office on January 20, 2001, with an unbelievable record of achievement and a lasting positive legacy in place.

The Republicans can never take your accomplishments away from you, no matter how many investigations they pursue or partisan articles of impeachment they pass.

Your accomplishments in redefining the Democratic Party, changing the shape of American politics by defining a new center, and leading a new Third Way politics throughout the Western democracies are, if secured, a lasting legacy that will only grow as time passes.

I swell with pride every time I think about how far that effort we started together eight years ago has come - and largely because of what you've accomplished in office. It is more than a footnote; it is truly historic.

Our challenge now - and your challenge in the last two years of your Presidency - is to assert firm ownership of the politics that we created. We need to assure that the Third Way is clearly known as New Democrat and that smart Republicans, like George W. Bush, don't co-opt it or even worse steal it away from us. Meeting that challenge is not only essential to securing your legacy, but it is also critical to the political success of the Vice President and the Democratic Party in 2000 and beyond.

Continuing to own our politics will be much more difficult without you, for we will never see a political leader in our lifetime with your political skill. For that reason, I believe it is imperative that you do everything you can to secure ownership of the Third Way for the Democratic Party. My strategy for doing that starts with the State of the Union.

The State of the Union

The tone of this State of the Union is unusually important. You need to be bold, visionary, and strong. When you finish, you want the political press to say, impeachment or not, you are in charge, setting the agenda with bold and innovative ideas, while your political opponents wallow in impeachment. You want to remind ordinary voters why you're such a good President and why they give you a 73 percent approval rating.

The way to do that is by offering a big and visionary theme and by backing it up with a few ideas that are bold enough and unexpected enough to turn heads.

The key is being big and bold. If you want a legacy grand enough to counter impeachment, it has to be as a Third Way reformer. You need to make it clear that you're not going to pull back or become timid because of impeachment. If anything, you're emboldened and more determined than ever to secure a place in history by completing the political revolution you started in Cleveland in 1991.

1) The Big Theme

In this speech you should declare an "era of new progress". In your 1996 State of the Union, you declared that the era of big government had ended. In the 1999 State of the Union, on the eve of a new century, you should declare the "era of new progress" has begun. Replacing the era of big government with the era of new progress should be the framework for your speech.

That framework offers a context for reminding people of your record – the progress we've already achieved. You can offer your litany of achievements – on the economy, the budget, welfare, crime, streamlining government, etc. In detailing your achievements, you can make the case that they were made possible, in large part, because you ended the era of big government in a progressive way. You replaced a big government with a smaller, more effective, empowering Third Way government that gives people and communities the tools they need to solve their own problems. A \$75 billion dollar surplus underscores your point – in terms of our reaping the benefits of a strong economy, fiscal restraint, and a streamlined more cost effective government.

That framework provides a perfect segue for moving to your new ideas – the next steps in the era of new progress.

2) The Ideas

Over the past several days, you've put forth a number of good ideas that will be part of your speech. But I think, in the end, whether this speech has any lasting or defining impact will depend on what you say on Social Security, Medicare, education reform, and a handful of other issues.

To really have impact, you need to raise the stakes on those issues with what is easily perceived as big, bold and innovative. Here are some suggestions, :

On Social Security: you could propose the grand bargain Will Marshall outlines in his piece in the next issue of the *New Democrat* (article attached). The essence of that bargain is as follows:

You reaffirm your commitment to preserving the system's social insurance for the disabled and survivors, for which there remains no plausible private alternative, and back reforms aimed at strengthening Social Security's basic guarantee against poverty, both by raising the minimum benefit all retirees get and changing the outdated formula the produces high poverty rates among elderly women, especially widows.

X You could then support diverting a small percentage of payroll taxes into personal retirement accounts. By lifting the "floor" for everyone - and thereby guaranteeing that no low-wage worker would be made worse off by market-based reform - you would be able to challenge the premise of opponents of personal accounts that only by investing the money itself could government shield individuals from undue market risk. Government could provide further safeguards by emulating the Federal Thrift Savings Plan, which limits federal workers' choices to rule out investments that are overly conservative or too risky. That plan also offers a model for keeping overhead down: have Social Security continue to collect all payroll tax revenue and transfer some portion to individual accounts designated by workers.

Finally, you could challenge those on all sides of the Social Security reform issue to ensure the system's solvency while also financing the transition to a partially funded system. It makes sense to dedicate a healthy chunk of future surpluses to that purpose. In addition, Congress should embrace a gradual increase in the retirement age to 70 by 2030, in keeping with the advances in the average life span of older Americans. The best way for boomers to help solve the problems their retirement will create is to work longer, keeping the work force from shrinking as rapidly and boosting payroll tax revenues. Less dramatic but still important ways to close the funding gap include bringing state and local employees into the system and adjusting the Consumer Price Index downward.

The plan that comes closest to that "grand bargain" is the 21st Century Retirement Security Plan issued last summer by the National Commission on Retirement Policy, which was co-chaired by Senators Breaux and Gregg and Congressmen Stenholm and Kolbe. That plan has bi-partisan support and you could offer it as the starting point for considering Social Security reform this year. Breaux had a piece in the last *New Democrat* on the plan which I've already sent you, but is attached.

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On Medicare: I think you should think hard about pledging to work with the proposal that comes out of the Breaux-Thomas Medicare Commission. I realize that is likely to be controversial, but the Medicare crisis is more immediate than Social Security and identifying with Breaux's proposal would be a bold and, I think, the right thing to do.

On education: The key here is to go back to your 1997 message of standards, testing, accountability, and choice and de-emphasize the 1998 message of more spending first. I have no quarrel with most of the new spending, but every bit of it ought to be tied tightly to performance and accountability.

Both accountability and spending are parts of education reform, but if you emphasize accountability you gain credibility as a reformer. If you emphasize spending without hammering on accountability, you make the Democratic interest groups happy but you lose a lot of the reform edge because you send the message that you are willing to feed a broken system.

I think you took a major step this week with your emphasis on ending social promotion. That sends the message that you're unwilling to stand for business as usual.

My ideas on education are very simple, and probably controversial with the educational establishment, but it would leave no doubt that you're really serious about improving public schools. And, if you pursued it, I think it would give you freedom to propose more money for schools.

Simply, to establish some requirements that states have to meet to get federal aid for education.

For example, you could say that no state would receive aid which didn't impose standards and testing by a certain year. You could have a formula for descending amounts of aid for non-compliant states so they would not be cut off entirely.

You could deny aid to states that didn't, in effect, make every school a charter school by developing a performance contract with specific goals.

Or you could limit aid to states in which schools spent more than a particular percent of their education funding on administration and not in the classroom.

You get the point. The idea is to leverage the federal aid to force accountability in the education system. I think that's the clearest, most direct signal you can send that you want to see the quality of education improve.

On National Service: I think this is the time to call for an expansion of Americorps. No program expresses the New Democrat ethic of mutual responsibility better than Americorps. I've spoken to John Podesta and Bruce Reed about using an expanded service corps to provide home care

for elderly people who might be able to live at home instead of in a care facility if they had someone who could visit them every day, make sure they can get medicine, groceries, and to doctor's appointments, etc.

On trade: I think you need to be very clear that despite the growing protectionism at both ends of the political spectrum, you remain firmly committed to expanded trade and to opening markets for American goods.

I believe you should offer a new bargain on trade.

One part of that bargain is making it clear that the United States stands for expanding, not restricting trade, by coming back with a fast track proposal and any other trade initiatives that are necessary to keep the economy growing.

The other side of that bargain should be a new commitment to an investment package to expand the winners' circle, so that every American will have the chance to share in the benefits of the new economy and expanded trade.

In the most recent edition of the DLC's new journal, *Blueprint*, Bob Litan has a piece (attached) on expanding the winners' circle in which he discusses a number of ideas. But two that I think are especially noteworthy are:

* an idea Rob Shapiro has promoted to make on-the-job training more accessible to all workers, not just the top echelon workers in companies. It is to add a "non-discrimination" clause to the tax deduction firms now get for training expenses for employees – so that they would only get that deduction if training is offered to a broad spectrum of workers, not just the top employees. A similar "non-discrimination" clause for deductions for health care and pensions.

* a new idea for funding training and continuing education that we call LEAP (Lifelong Education Advancement Pursuit) loans, modeled on the college loan program. Through LEAP loans, people with household incomes below a certain threshold (such as the \$100,000 for education tax credits) would be eligible for a certain amount of financing (such as \$40,000) over their lifetime. The loans would be provided at subsidized interest rates, carry long maturities, and defer repayment for a fixed period (say four years). Such a program need not be that expensive. If, say, two million workers borrowed an average of \$5,000 a year with an annual interest subsidy (counting the delayed payment benefit) of 10 percent, the government's cost would be 10 percent, or one-sixth of the annual cost of the recently enacted education tax credits. An added twist would be to base repayments on the borrower's income so workers would not find themselves overburdened with loan payments if their incomes do not rise initially.

On welfare and poverty: Come back with your day care proposals to ease the transition from welfare to work. And, I'm in favor of whatever ideas Andrew Cuomo has for increasing home ownership among poor people. I would make that idea - achieving the American dream of owning a home possible among disadvantaged Americans - a spotlighted part of the speech.

On corporate welfare: Far and away the best way to pay for any initiatives - as you've already indicated - is to cut corporate welfare.

The rationale for that course is absolutely consistent with the first principle of the New Democrat movement and the animating principle of the Democratic Party since the days of Andrew Jackson: equal opportunity for all, special privilege for none.

You ought to make it clear that federal dollars should be spent on investments that help the whole economy grow and create opportunities for all Americans, not on subsidies that give advantage to powerful industries or interests.

The best way to get at corporate welfare without getting your head chopped off is still the original Rob Shapiro idea of creating a Base-Closing like commission that recommends, for an up or down vote, each year which subsidies should be eliminated or trimmed. You should propose creation of that commission with a target of eliminating \$50 billion in corporate subsidies a year, each year for the next five years. Sen. John Kerry has sponsored a bill to implement the Shapiro plan. And, it is an idea that should get support from all parts of the Democratic Party and that puts the Republicans, eager to cut spending for social programs, on the spot.

Those are my ideas for the State of the Union.

Follow Up

Since this memorandum is longer than I expected already, I won't add a detailed plan for following up the State of the Union with a plan to make sure we continue to own the politics we created after you leave office.

But it is important that we think about that. In Stephen Skowronik's 1996 piece on Third Way Presidents, which I've shared with you before, he makes the point that no Third Way President in this century has seen his politics continue after he leaves office. You will be the first - and we are committed to making it happen.

That's why we're making a major effort to train several hundred up and coming state and local leaders around the country on how to practice your politics in their day to day activities. I'm actually writing this memo at a hotel room in Phoenix where we're training legislative and local leaders today.

We need to launch a real education effort over the next 18 months both to educate the American people on the Third Way and to create a real identity for the New Democrat brand. As Tony Blair said at the meeting we had at Chequers, we need to brand our politics so we can occupy the territory.

I think branding our politics, building the New Democrat brand so voters understand what it means, should be your last campaign. You should use that campaign, after the impeachment trial ends, to help ensure that your legacy is what it should be. I'm ready to do whatever's necessary to make sure that happens. And, I've got some thoughts about how we do it that we can discuss whenever you're ready.

Good luck.



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Wednesday, 12.16.98

Blacks find common enemy in Clinton's foes

Cynthia Tucker is editor of The Atlanta Constitution's editorial page.

Recent Tucker

Conservative Republicans in a meltdown.

Georgia's other nasty congressman.

Nonviolent drug offenders waste away in prison

Voters offer Reed a sermon on race-baiting.

Ambitious Atlanta shouldn't settle for so-so services.

U.S. Rep. Bob Barr, Georgia's leading Clintonphobe, is trying to distance himself from the peculiar and racist utterances of the Council of Conservative Citizens, claiming he had no idea that the council was a group of white supremacists obsessed with the purity of the white race.



CYNTHIA
TUCKER

Interestingly enough, the group has not distanced itself from Barr, who delivered a keynote address to a Council of Conservative Citizens semi-annual national board meeting in June.

The group's Web site gleefully welcomes new friends who have learned of its existence from the controversy surrounding Barr's speech, revealed by Harvard law professor Alan Dershowitz, a Clinton ally, during last week's impeachment hearings. The council forgives Barr, whom it proclaims a "courageous individual," any political rhetoric he must use to placate his critics.

Now we know whom Barr meant when he referred to "real Americans."

If some people still wonder about the un-yielding support President Clinton enjoys among African-American voters, the story of Barr's address to a white-supremacist group ought to provide clarity.

African-Americans are not running toward Clinton; they are running away from the lynch mob out to get him, recognizing that the same crew will turn on blacks as soon as it is finished with the president. This is just a modern-day spin on the adage: The enemy of my enemy is my friend.

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