

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 01/19/96

TO: PAT GRIFFIN

FROM: Staff Secretary

On January 9, I sent you a note (copy attached) and a xerox of this letter from the Congressional Black Caucus.

I am now forwarding to you the original of same letter for your appropriate handling.

Thanks.

DATE: 1-9

TO: Pat (Griffin)

FROM: Staff Secretary

How do you want
to handle?

(I gave 2 copy
of this to Leon
via Angel yesterday
evening). — rdel



FREDETTE WEST
STAFF ASSOCIATE
APPROPRIATIONS COMMITTEE

CONGRESSMAN LOUIS STOKES
21ST DISTRICT, OHIO

2365 RAYBURN BUILDING
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H301-855-7008

Congress of the United States

House of Representatives

Washington, DC 20515

96 JAN 6 AM 5:57

January 5, 1996

Hon. William J. Clinton
President of the United States
The White House
1600 Pennsylvania Avenue N.W.
Washington, D.C. 20500

Dear Mr. President:

The Congressional Black Caucus would like to take this opportunity to applaud you on your leadership during the budget negotiations. As the debate begins to focus more attention on Medicare and Medicaid policies and regulations, we strongly urge you to remain steadfast in your opposition to repealing Medicaid and to destroying Medicare. In light of the accelerated move to managed care, there are a number of essential provisions that must be preserved and strengthened in each program. This is especially critical given the proposed budget cuts in Medicaid and Medicare, the nature of managed care, and the reduction in funding for public health services.

As you know, the numbers of uninsured and underinsured are already growing, and will increase dramatically if the kinds of proposals under consideration move forward. Under the GOP proposal, vulnerable populations' health status and the health care services they receive will deteriorate. **This must not be allowed to happen.**

Therefore, it is absolutely essential to preserve, strengthen, and incorporate the following provisions in the restructured Medicare and Medicaid systems:

- **Medicaid Entitlement** - Medicaid must be preserved as an entitlement. Block granting Medicaid to the states would result in states disenrolling patients, and/or reducing benefits to recipients. A sudden shift to a block grant which does not adequately take into consideration per capita costs, would result in significant increases in the cost of Medicaid to states. **The doctor-patient relationship disruptions created by a market forces driven system, without guaranteed quality and choice of access to providers who have traditionally served the recipient community, will create new barriers to health care.** States must not be relieved of their current obligation to contribute to the cost of the Medicaid program. **Federal requirements regarding eligibility and services must be preserved, including *EPSDT's requirement of coverage for children's medically necessary services, general amount, duration, and scope safeguards.** The benefits package must address the health care needs of the community and include preventive services. [*EPSDT - Early and Periodic Screening, Diagnosis, and Treatment]

- **Consumer and health care provider protections - Federal oversight requirements for Medicaid and Medicare managed care must not be repealed.** State flexibility without appropriate accountability will lead to a health crisis. The repeal of nursing home protections alone is a disaster waiting to happen. In light of the proposed large scale and accelerated move to managed care, and the uncertainties surrounding this mode of operation, grievance and appeal provisions must be strengthened. **Consumers must be engaged in helping to establish the policy framework, and in the day-to-day governance and oversight of the health care plan(s) in their community.** To help ensure quality of care, plans must be designed to be partnerships with the community, and **must maintain an internal quality assurance program which provides consumers and health care providers a mechanism for appeals, complaints, and grievances.** Plans must make available comprehensive information, in summary form, about services provided, cost-control methods, and spending of public dollars for administrative costs, rather than patient care.

States must be required to submit their health care plan(s) to the U.S. Secretary of Health and Human Services for approval. In addition, those who purchase health care services must establish, monitor, and enforce beneficiary protections and be held responsible and accountable for the conduct thereof. **The Health Care Financing Administration's role as monitor of compliance with federal oversight requirements must be maintained and strengthened.**

Plans must be required to provide access to comprehensive understandable information regarding covered benefits, basic policies and procedures, consumer satisfaction, and plan performance. With respect to privacy, medical records and claims information must be appropriately secured. **Community-based organizations must be provided the resources needed to educate managed care enrollees of their rights, and of ways they can participate in managed care.**

- **Affordable health care -** Paying for health care is already a major problem for the American people, especially the working poor. Under current law, Medicaid beneficiaries can only be charged nominal copayments, and certain critical populations (children, nursing home residents, and pregnant women) are exempt from copayments. **Current-law safeguards must be preserved with respect to premiums, deductibles, and copayments.**
- **Fair competition -** There must be a level playing field that will permit health care providers, who have traditionally provided quality care to the Medicaid and Medicare communities, to operate effectively and successfully within the restructured Medicare and Medicaid systems. Some managed care plans are already avoiding contracting with providers who handle a high number of uncompensated care cases. Without adequate provisions, there is the potential for health plans to avoid the kinds of providers who tend to treat sicker populations, including **minority health care providers, public hospitals, and providers operating in inner city and in rural areas.** Exclusive

Hon. William J. Clinton
January 5, 1996
Page 3

contract "sweetheart" deals between state governments and big business managed care organizations must be prevented. Such deals can lock out all other providers who have traditionally served a community.

Contractual arrangement with providers should be fair and reasonable.

Currently, beneficiaries have the right to choose any provider willing to participate in Medicaid and Medicare. Under the proposal, the beneficiaries current provider could be granted or denied contracts based on arbitrary factors, including political affiliation. This must not be allowed.

- o **Quality assurance** - Measures must incorporate quality assurance standards to ensure reasonable quality of care across the country, across communities, across populations, and across health status. Without such critical safeguards, different areas of a state could receive very different levels of coverage, based on arbitrary factors including residents' choice of political party.
- o **Board certification** - There must be flexibility regarding standards for "provider quality" - "board certification" is not the only measure. If "board certification" is used exclusively, many of the traditional providers could be excluded.

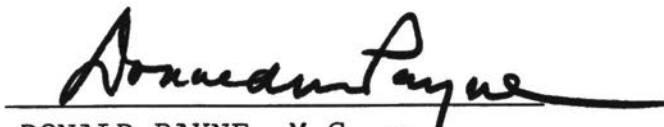
In addition, to the provisions outlined above, there are numerous others that must be given the appropriate attention, assurances, and protections including disproportionate share payments, graduate medical education funding especially in underserved communities, teaching institutions including their access to centers of excellence, facilities that treat the uninsured, and home health care. As we are sure you would agree, the current hurried Republican approach to restructuring Medicare and Medicaid, without the benefit of comprehensive analysis of the impact on health outcomes is clearly not in the best interest of the American people.

Even if the states absorb half of the proposed cuts in health care services, it is estimated that they would still have to eliminate coverage for well over 8 million people, including over 4 million children. We strongly believe that it is in the nation's best interest to protect the health of the vulnerable. We look forward to working with you to safeguard the health of all Americans.

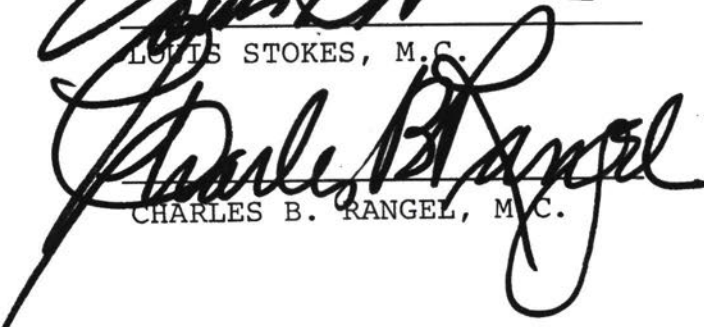
Sincerely,



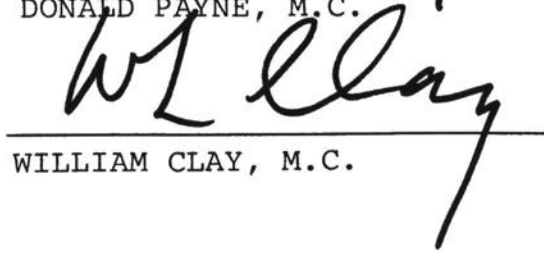
LOUIS STOKES, M.C.



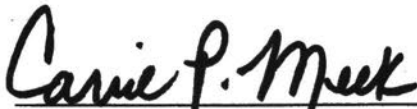
DONALD PAYNE, M.C.

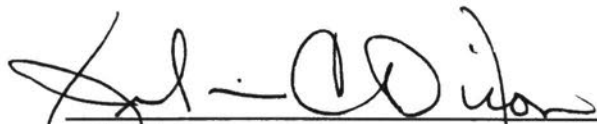


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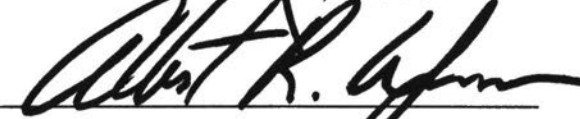

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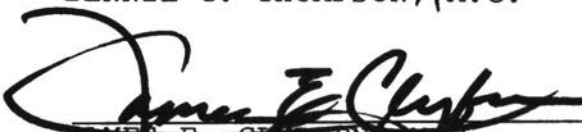

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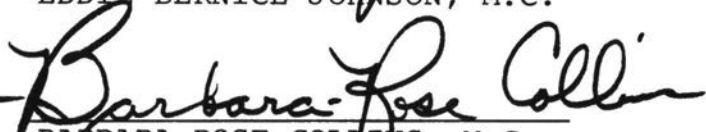

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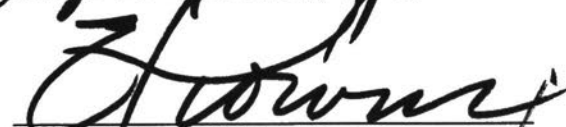

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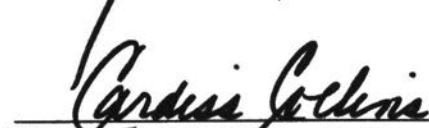

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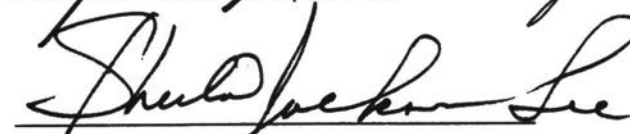

BARBARA-ROSE COLLINS, M.C.

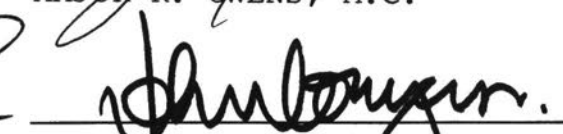

EDOLPHUS TOWNS, M.C.

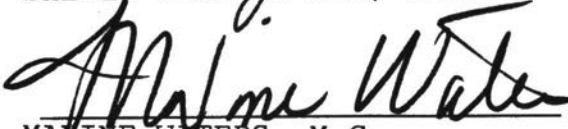

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CARDISS COLLINS, M.C.

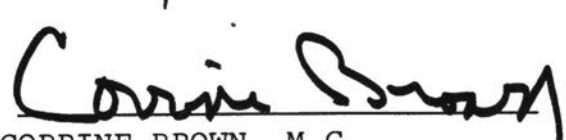

MAJOR R. OWENS, M.C.

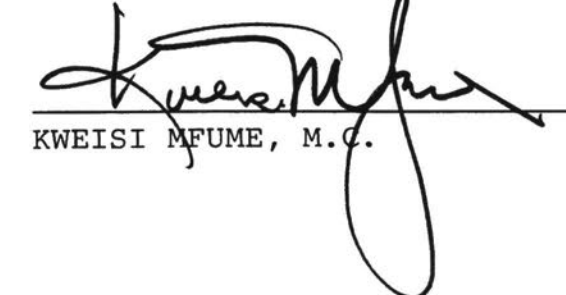

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SANFORD BISHOP, M.C.

Floyd Flake

FLOYD FLAKE, M.C.

Jesse Jackson

JESSE JACKSON, M.C.

Bobby Scott

BOBBY SCOTT, M.C.

Ronald V. Dellums

RONALD V. DELLUMS, M.C.

BILL CLINTON

Do Thank you
per POTUS
cc: Ann Lewis
attached to Clump BS

January 18, 1996

Betsy Rice
416 South Fairfax Street
Alexandria, Virginia 22314

Dear Betsy:

Thank you for the great Christmas card. The photo of you, Molly, and John at the Grand Canyon is wonderful.

Thanks, too, for following up on our discussion about the campaign. I'm grateful for your continued support and have let Ann Lewis, deputy campaign manager, know of your willingness to help our efforts. Please feel free to contact her at (202) 331-1996.

Hillary and I hope you had a wonderful holiday and send our best wishes for a happy, healthy 1996.

Sincerely,

Bill Clinton

Happy Holidays
and Best Wishes
for a Wonderful New Year!

Betsy Rice

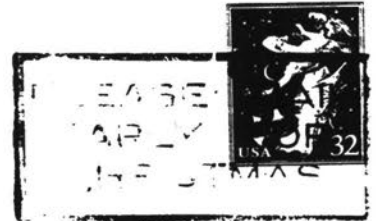
Molly
(11)

John. Reihery
(8)

Bill - It was great 'catching up' on the golf course
at Congressional CC. end of July (on my birthday).
Now that I'm settled in Washington, I'd
like to continue our discussion re: working
on the Re-Election. I'm ready to do that
full-time. Give me a call (703) 299-9194
or let me know who I need to talk to. Hope
you + your family have a wonderful Christmas!



416 S. Fairfax Street
Alexandria, Virginia
22314.



The Clinton Family
The White House
1600 Pennsylvania Avenue
Washington, D.C.
20500



✓ GS - given
Booth

Be

THE PRESIDENT HAS SEEN
1/19/96



LITTLE, BROWN AND COMPANY

P u b l i s h e r s

Dear Producer/Journalist:

With the 1996 presidential primary season about to begin, Republicans still benefiting from their unprecedented gains during the 1994 midterm elections, and President Clinton struggling to recover from a difficult first term, American politics are in a state of turmoil. Now two seasoned political correspondents who have been at the forefront of reporting on the resurgence of the Republican Party, the decline of the Democrats, and the rise of anti-Washington sentiment among voters present a detailed analysis of America's wildly shifting political landscape.

In their new book, **STORMING THE GATES: Protest Politics and the Republican Revival** (Little, Brown and Company; January 22, 1996), Dan Balz -- a national political correspondent and former editor of the *Washington Post* -- and Ronald Brownstein -- a national political correspondent for the *Los Angeles Times* -- offer a contemporary examination of a political system and two political parties in transition. Balz and Brownstein chronicle the dramatic Republican advances in 1994 and the breakdown of President Clinton's effort to renew the Democratic Party during his first two years in office. They highlight the critical forces that have transformed the GOP over the past decade and created today's modern, aggressively conservative Republican Party. They explore the fissures within the GOP electoral coalition created by the ascent of the religious conservative and Perot movements, and they look ahead to the difficulties both parties will face in securing lasting allegiance from a majority of voters.

Who are these Republicans and how did they come to the brink of total power so quickly after losing the White House in 1992? What explains their remarkable victory? Who shaped and will continue to guide their revolution? Was 1994 just one more jolt of instability in a decaying political order or what political scientists call a "realigning" election that will trigger a stable new era of conservative governance? These and other questions are answered in a way that provides readers with an insight into the broad forces that are shaping American politics today as well as an understanding of the milestone events and major players involved.

Both Dan Balz and Ronald Brownstein have appeared on "Meet the Press," "Face the Nation," CNN, C-SPAN, "Nightline" and other programs. They will be available for interviews in Washington, D.C., and in New York City on **January 30**. For further information about **STORMING THE GATES**, or to arrange an interview with Dan Balz and Ronald Brownstein, please contact me at 212-522-8070.

Sincerely,

Holly Wilkinson
Publicity Manager



NEWS OF BOOKS AND AUTHORS

F O R • I M M E D I A T E • R E L E A S E

BIOGRAPHY OF DAN BALZ

Dan Balz is a national political correspondent and former National Editor for the *Washington Post*. He joined the *Post* in 1978 as an assistant editor, and in 1979-80 served as Political Editor, directing coverage of the 1980 presidential and congressional elections. In 1981, he became the *Post*'s Southwest Bureau Chief, based in Austin, Texas, and spent almost three years covering political, economic, and other developments in this region. He returned to Washington in mid-1983 to become part of the national reporting team for the 1984 presidential election and directed the newspaper's political coverage during the general election campaign that year.

In 1985, Balz was named National Editor of the *Post* and served in that capacity until the end of 1988, helping to direct a 50-person staff that had responsibility for coverage of the White House, Congress, the Supreme Court, all executive branch agencies, and, through the paper's regional bureaus, events outside Washington as well. In 1989 he returned to reporting and in 1990-91 served as one of the paper's two White House correspondents in a period that coincided with the Persian Gulf War and the disastrous 1990 budget negotiations that helped sink Bush's presidency and revitalize the Republican Party as described in *STORMING THE GATES*. A few months after the Gulf War ended, Balz left the White House beat to become chief political writer for the 1992 presidential campaign. His series on the rise of Newt Gingrich, co-authored with Dale Russakoff, Charles Babcock, and Serge Kovaleski of the *Washington Post*, was nominated for a Pulitzer Prize in 1995.

Balz began his newspaper career at the *Philadelphia Inquirer* and worked for five and a half years at *National Journal* magazine in Washington, where he covered economic policy and served as Deputy Editor. He has appeared on NBC's "Meet the Press" and CBS's "Face the Nation," and has been a frequent guest on various C-SPAN programs. His freelance work has appeared in the *Washington Monthly*, the *Columbia Journalism Review*, the *Los Angeles Times*, and a number of other publications. Balz lives with his wife and son in Bethesda, Maryland.

LITTLE, BROWN AND COMPANY

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BOSTON • NEW YORK • TORONTO



NEWS OF BOOKS AND AUTHORS

F O R • I M M E D I A T E • R E L E A S E

BIOGRAPHY OF RONALD BROWNSTEIN

Ronald Brownstein is a national political correspondent for the *Los Angeles Times*. He has held this position since January 1990. In addition, he writes the newspaper's bi-weekly "Washington Outlook" column. From 1983 through 1986, he served as White House correspondent and national political correspondent for the *National Journal* in Washington, D.C. From 1987 through 1989, he served as West Coast correspondent for the *National Journal* and as a contributing editor at the *Los Angeles Times Magazine*. In addition, during that period he contributed regular columns on politics to the *Los Angeles Times* Sunday opinion section. From 1979 through 1983, he served as the chief staff writer for Ralph Nader in Washington.

Brownstein is the author, co-author, or editor of five books, including The Power and the Glitter: The Hollywood-Washington Connection, Reagan's Ruling Class: Portraits of the President's Top 100 Officials (a *Washington Post* bestseller for five weeks in 1982), Selecting a President, and Who's Poisoning America? His articles on politics, public policy, books, and culture have appeared in a number of newspapers and magazines, including the *New York Times Magazine*, *Esquire*, *Vanity Fair*, the *New Republic*, *Washington Monthly*, the *Wall Street Journal*, *Christian Science Monitor*, the *Times of London*, the *Boston Globe*, the *Chicago Sun-Times*, *Newsday*, and the *Miami Herald*. He is the recipient of several journalism awards, including the exceptional merit in media award from the National Women's Political Caucus.

Brownstein is a regular panelist on the CBS News Sunday morning program "Face the Nation" and has appeared on "Meet the Press," "Nightline," "The Charlie Rose Show," the three network morning programs, and CNN, CNBC and C-SPAN. He lives in Bethesda, Maryland.

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A CONVERSATION WITH DAN BALZ AND RONALD BROWNSTEIN
authors of
STORMING THE GATES
Protest Politics and the Republican Revival

Q: Why did you choose STORMING THE GATES as the title for your book?

Balz: One of the things this book describes is the degree to which Republicans built what they got in 1994 by launching an assault on Washington. The subtitle is also important. Despite any rhetoric about a positive governing agenda, it must be understood that the energy and enthusiasm of the Right came from the notion of protesting the politics of Clinton and the Democrats. The power of the movement in politics right now is that of a protest movement.

Brownstein: A central metaphor in **STORMING THE GATES** is that politics in the '90s has been driven by an emphasis on grassroots populism rather than on Left-Right divisions. The key to Republican success so far has been in leaping over the moat from within the castle and identifying with the army that's storming their own stronghold. At the heart of the party's revival is its ability to harness and intensify the electorate's anti-Washington sentiment and identify themselves as the anti-Washington party. Opposition to Washington has taken over where opposition to communism left off as the central organizing principle of the conservative coalition. There's also an insurrection-like quality to the Republican revival. Many of these new Republican leaders see themselves as a revolutionary vanguard. We wanted to evoke that fervor with the title.

Q: There have been other books, articles, and news stories done on the Republican Revival. What's different about STORMING THE GATES?

Brownstein: It is by far the most comprehensive look at both the transformation of the Republican Party and the political and social context in which the tumultuous changes have taken place. This is not just a chronicle of the last two years. This is a story of how changes in the past decade -- in both the Democratic and Republican parties -- have brought us to where we are today. We explore generational changes, intellectual changes, and the changing nature of the grassroots coalition that Republicans have been able to tap into. Previous analysis has tended to narrowly focus on the back-and-forth between the White House and Congress, but we've tried to view our subject matter through a much wider lens. Placing the conflict between the Clinton White House and the Republican controlled Congress within a broader context of a decade of political and social change helps explain how we've gotten where we are and why the road ahead is likely to be very rocky for both Democrats and Republicans.

Balz: A lot of people expressed great surprise at the outcome of the 1994 elections. One of the things we tried to do when we set out to write this book was to look at the ways in which 1994 was part of an evolutionary change not just of the Republican

Party but also of the country. For example, 1994 proved to be a milestone in the transformation of the South into much more of a Republican bastion than it has ever been. We've tried to combine history, analysis, story-telling and portraiture so that readers will be getting a truly comprehensive contemporary examination of a political system, and two political parties in transition.

Q: What surprised you most as you conducted your research for this book?

Brownstein: I was surprised at the way in which all of the pieces fit together. The intellectual evolution in conservative circles, the patterns of generational replacement in Congress, and the development of grassroots groups like the Christian Coalition all meshed together to push the party in the same direction and transformed it into a much more militantly anti-Washington and antigovernment institution. The modern Republican party as we see it today is really the result not only of the individual will of someone like Newt Gingrich but of very large synchronizing forces that all have come together to produce this change. Though there are important divisions within Republican ranks, the party has fundamental unity around an identity of limiting government and rolling back the reach of Washington. I was surprised at the extent to which all the forces of change were pushing in the same direction.

Balz: I was also surprised at the extent to which people think there are huge divisions within the party when in fact those divisions are relatively small. Moderates, for example, do make up a wing of the Republican Party but they're not the same kind of Moderates that existed ten or fifteen years ago. Most of those people have since been driven out of the GOP. The party as a whole has a considerable amount of unity around some big ideas. The other surprise for me is how Bill Clinton and congressional Democrats were unable to overcome their divisions during the first two years of the Clinton administration. Their failure to recognize their own self-interest as a party, the collapse that followed, and the role these two events played in giving Republicans control of the House after achieving overwhelming election victories in 1994 is one of the more interesting stories in the book.

Q: What do you think will most surprise readers of *STORMING THE GATES*?

Brownstein: I think readers will be surprised at our portraits of individual characters. They'll see that this revolution was not merely the work of Gingrich and one or two allies but actually depended on a whole constellation of people -- some of whom were well known, like Rush Limbaugh, some moderately known, like Charles Murray or Ralph Reed, and some who were totally obscure, like Tanya Metaksa then the chief-lobbyist for the NRA. We've really tried to highlight some of those people and show how all of them ended up pushing in the same direction.

Balz: People might also be surprised at the depth of animosity that existed between many in the Gingrich generation and the Bush administration, the extent to which the National Rifle Association was able to block the 1994 crime bill, and our detailing of the 1994 elections from the Republican perspective. We don't just look at how the

Republicans put the Contract With America together, we look at how they systematically developed an agenda to take over the house, how they raised money, how they identified issues together, and how they targeted their campaigns.

Q: What are the milestone events in the Republican Revolution?

Brownstein: The election of Newt Gingrich and the freshman congressional class in 1978 was one milestone as was the formation of the Conservative Opportunity Society (COS) shortly after the '82 elections. The battles in the 1980s between young House conservatives and older Senate conservatives over taxes, which culminated in the 1990s budget battle and Gingrich's election as minority whip are also core events in the Republican Revolution. It was Gingrich who split the party on the issue of taxes. George Bush's defeat in 1992 was also a milestone because it liberated the forces that Gingrich represented. And finally, Bill Clinton's failure in 1993 and 1994 to consolidate his own support base was a milestone because it allowed Republicans to identify themselves as the alternative to Bill Clinton and produce the shattering election results of '94.

Balz: There are several other events in 1994 that are noteworthy in addition to the health care fight. The special election in Kentucky that served as the opening shot of the Republican Revolution and became a model for winning campaigns all over the country proved to be a milestone event. Another milestone was the demise of the crime bill on the house floor, the conversion of that bill into a battle over pork, and the Republican's success in transforming Democrats from crime fighters into defenders of pork barrel spending. The crime bill fight was the first time that anti-Washington sentiment became anti-Democratic Congress sentiment.

Q: Do you see 1994 as an end point of the Republican Revolution?

Brownstein: Absolutely not. The Republicans revived primarily by focusing voter anger and anxieties over trends in American life at Washington. But while sufficient to bring them to this point, we argue it's extremely unlikely that an agenda focused solely on reducing Washington will resolve those anxieties and allow Republicans to consolidate a lasting political majority of their own. In fact, as the last few months suggest, we're in for a period of potentially enormous political turbulence as voters -- who are increasingly dissatisfied that either party can address their concerns about the economic and moral structure of the society -- turn from one party to the other.

Balz: The country has moved to the right to a significant degree, and faith in the power of the Great Society has evaporated. At the same time people are increasingly uncomfortable with identification with either party. At this point the Republicans have great unity around the big idea of shrinking government but there are a lot of people who are not yet prepared to say that it is the answer to all our problems. And it's not clear the Republicans offer solutions to solve the problems other than suggesting that less government is the avenue to a happier life, a safer neighborhood, or a better job.

Q: What is your reaction to the difficulties that Newt Gingrich is currently experiencing?

Balz: Gingrich is a victim of the same kind of politics that helped him attain his position as Speaker of the House. No one discredited the Democratic Party, Democratic leadership, and the institution they controlled more than Newt Gingrich. Throughout the 1980s he helped to destroy public confidence in Democratic governance. He did it by forcing Jim Wright to resign as Speaker of the House and by magnifying the House post office and bank scandals. That had two effects. It made him the least popular Republican among the Democrats, and created public cynicism for Congress. He became a target for Democrats and his institution was seen with skepticism by most Americans. Gingrich has also never been able to discipline himself. He talks too much, he says outrageous things, he believes he's right all the time, and he's stopped listening to people. As a result he's now seeing those same political practices he used so well turned against him.

Q: Where do you see things headed in the upcoming election year?

Brownstein: Historically, presidential elections have been a referendum on the performance of the incumbent. When everything has been stripped away it's an up or down vote on the current officeholder. From that perspective Bill Clinton is in a tenuous position. The question is whether that will be the sole criteria in '96. The prominence of the Republican Congress raises the possibility that voters will want to validate their direction. Clinton will be able to use strong negative arguments and campaign on the notion that he is needed to keep Republicans from going too far.

Q: Who makes up the core of the Republican Party?

Balz: The heart of the Republican Party now is what we call the antigovernment coalition. It's a constellation of forces that revolves around evangelical Christians, gun owners, small business owners, Perot supporters, antitax activists, and "fair use" advocates -- the whole group of people that are sometimes called the "leave us alone" coalition. The driving intellectual force in the party are those who advance a much more fundamental critique on liberalism than even the neoconservatives who inspired Ronald Reagan -- including younger conservatives, many from the South, who are willing to attack settled liberal ideas that even Reagan hesitated to move against. What's striking is that this is the heart of the party but it is not by itself a majority of the public.

Q: The Republican Party's success in 1994 depended heavily on its ability to marshal the frustrations of armies of Americans fed up with Washington. What happens in 1996 as a third party movement gains even more strength among those same frustrated voters?

Brownstein: The Republicans to some extent have been asking the wrong question in '95 and '96. The way they framed it is "How much can we change in one year or one session?" The real question should be "How far can we push our agenda while broadening public support for what we do?" The only way to fill the breadth of the ambition of the Gingrich generation is through the sustained political control of both Congress and the White House that Democrats enjoyed from 1932 to 1968 during the heyday of the New Deal. What's really coming up in the next two elections is the

question of whether we are at the beginning of a comparable Republican realignment or more likely in the midst of a period of accelerating political instability in which divided government plurality Presidents, third-party candidates, and unsteady control of Congress become the rule.

Balz: The one caveat on that is that some of the underlying forces have been strong enough to give Republicans some advantages they did not enjoy ten years ago. In maintaining control of Congress, the most important of these is the evolution of the South from a Democratic stronghold to a more Republican stronghold. This creates a huge obstacle for a Democratic return to power. The Republicans also control the debate, and have captured the high ground on most of the central issues of the upcoming presidential campaign season -- with the exception of the battle over Medicare and Medicaid. There is growing instability and wider interest in a third party and in third-party candidates, but the Democrats need to get over much larger hurdles if they are to get back in power.

Q: Why has Bill Clinton failed so completely in renewing the Democratic Party?

Balz: Because the Democratic Party is a broken institution. During his campaign Clinton was able to straddle the divisions in his party but once he achieved the Oval Office he had to make fundamental choices. And the choices he made enlarged the fissures in the party rather than narrowed them. One of the things we delve into is the degree to which Bill Clinton surrendered to congressional Democrats. At the time he did so for practical political reasons, but the consequence was that he was driven farther to the left while making the party more unacceptable as a whole to the public.

Brownstein: Clinton had many personal failings but his problems are more generic than specific and are rooted in the failure of the party that trace back to Jimmy Carter's defeat and the continuing disagreements among Democrats over how much of the party's liberal tradition had to be modified or even surrendered to win back the White House. Once in office Bill Clinton proved incapable of meeting the needs of the Democratic base as represented by the liberal leadership in Congress while simultaneously reaching out to the center of the electorate. His failure inadvertently polarized the electorate and opened the door for the Republican revival. Clinton is rebounding to a certain degree but he's doing so not on a program of nullifying the Republican agenda but on a program that modifies its excesses and sands down its rough edges. Fundamentally Democrats are in a position now where they're operating on a battlefield whose borders are largely defined by a Republican vision of the government's role in society.

Q: What do you want readers to get out of this book?

Balz: We want readers to get a sense of how the Republican party has changed, how those changes came about, and who orchestrated them. We want them to come away with a better understanding of the stakes involved as we enter the 1996 campaign season, and a better understanding of the broad forces that are shaping American politics today. Hopefully, when they've finished **STORMING THE GATES**, readers

will understand why we are in a period of political turmoil and why this is such a significant era in American political history.

Brownstein: I hope they'll come away feeling like they have a framework for understanding the barrage of events that are cascading out of Washington now. We want them to feel like they've received an intimate portrait of the key players who have transformed the Republican Party and been given a very detailed analysis of how the changes in American society and the anxieties about the course of American life are destabilizing the political system and creating the possibility of change even more radical than anyone had anticipated possible four or five years ago.

Contact: Holly Wilkinson
Publicity Manager
212-522-8070



NEWS OF BOOKS AND AUTHORS

F O R • I M M E D I A T E • R E L E A S E



STORMING THE GATES

Protest Politics and the
Republican Revival

DON BALZ AND RONALD BROWNSTEIN

National Political Correspondents
Washington Post and *Los Angeles Times*



On the Verge of Gaining Total Political Dominance,
the GOP Is Threatened by the Very Discontent It Has
Provoked Among the Electorate

Veteran Political Reporters Dan Balz and Ronald Brownstein Put the
New Republican Politics of Protest in Context and Examine the
Consequences for America's Future

"In **STORMING THE GATES** two of the ablest political reporters in America take you inside the Republican Revolution for a critical examination of the forces and personalities that have shaped the new GOP. It is a fascinating story of a party's revival and an unblinking analysis of what could be America's future."

-- David Broder, *Washington Post*

"**STORMING THE GATES** is a perceptive and well reported book that shows why Americans have rejected Big Government Liberalism but not yet embraced conservatism.

Liberals should read it to learn why America is moving to the Right. Conservatives should read it to learn why we must be more than an antigovernment coalition if we are to build a durable governing majority." -- Adam Meyerson, *Policy Review*

"Indispensable for understanding American politics in 1996 -- and just what you'd expect from Balz and Brownstein: impeccable reporting and clear-eyed analysis."

-- Joe Klein, *Newsweek* and CBS News

LITTLE, BROWN AND COMPANY

1271 AVENUE OF THE AMERICAS, NEW YORK, NY 10020
BOSTON • NEW YORK • TORONTO

In the summer of 1993, the Republican party appeared to be demoralized over George Bush's loss of the White House to Bill Clinton, confused about how to combat the new President, and struggling to find a unifying symbol to replace the devil of anti-communism that had bound them throughout the Cold War. Newt Gingrich, then the House Republican whip, complained that the party's image was that of a "negative, out-of-touch, country club party that failed." At that point, it was far from clear the Republican party could summon the will or the unity to revive itself. The 1994 elections just eighteen months later -- with Republicans gaining control of the House for the first time in forty years -- provided ample proof that the party had turned itself around.

In **STORMING THE GATES: Protest Politics and the Republican Revival** (Little, Brown and Company; January 22, 1996; \$24.95), Dan Balz of the *Washington Post* and Ronald Brownstein of the *Los Angeles Times*, both veteran national political correspondents, provide a revealing and clearly reasoned context for the current political landscape as we head into the 1996 primary season. They follow the revival of the Republican Party after George Bush's landslide rejection in 1992, and the party's reconfiguration after the twelve years Bush and Ronald Reagan held the White House. They examine how Newt Gingrich used his force of personality to unite conservative baby boomers within the GOP -- the so-called "Gingrich Generation" -- and how he carried out his plans for a Republican majority almost from the moment he was elected in 1978. But they also detail the much larger pattern of social and political change that has alienated Americans from their political leadership -- and created an environment in which rapid, unpredictable, political change has become increasingly commonplace.

Balz and Brownstein provide startling portraits of key players in the Republican Revolution, including Bill Kristol, Ralph Reed, Haley Barbour, Dick Armey, John Kasich, Phil Gramm, Tommy Thompson, Grover G. Norquist, and Tanya K. Metaksa. "We want people to understand," the authors say, "that this was not merely the work of Newt Gingrich and one or two allies, but of a whole constellation of players."

STORMING THE GATES concludes with a look at what the Republicans will need to do if they are to fulfill their policy ambitions. It also examines the problems the GOP might face from the anger they themselves have generated toward Washington and our entire political system among the voting public. As Balz and Brownstein make clear,

ideas matter in American politics, and results matter more:

Clinton won the White House in 1992 because Americans concluded that the Bush Republicans had failed. Republicans captured Congress two years later because voters decided that Democrats had failed. If the public concludes, either in 1996 or beyond, that the Gingrich Republicans have indulged ideological extremes while failing to renew American life, the years ahead may look less like the relatively ordered division of power over the past generation and more like the chaos of the late nineteenth century -- an environment in which an increasingly frustrated public turns from one party to another to choices we cannot yet imagine.

While the GOP may have successfully manipulated the politics of protest, it remains to be seen whether a Republican coalition will be strong enough to permanently realign American politics.

ABOUT THE AUTHORS: Dan Balz is a national political correspondent and former national editor of the *Washington Post*. Ronald Brownstein is a national political correspondent for the *Los Angeles Times* and writes its "Washington Outlook" column. Both authors live in Bethesda, Maryland.

STORMING THE GATES

Protest Politics and the Republican Revival

Dan Balz and Ronald Brownstein

Little, Brown and Company

Publication Date: January 22, 1996

Price: \$24.95

ISBN: 0-316-08038-1

WHAT DOES STORMING THE GATES INCLUDE THAT OTHER BOOKS DO NOT?

- A detailed look at the May 1994 special election in Kentucky that became the opening shot of the Republican Revolution and was used by Republicans as a model to win congressional campaigns from coast to coast.
- A thorough review of the Republican battle plan for 1994. The three-part plan, first outlined by a close political advisor to Newt Gingrich, called for Republicans to derail Bill Clinton's agenda for the rest of the year and then frame the election around his failures as President. It also called on Republicans to develop a positive governing agenda and to communicate their vision in language voters could understand. Finally, the plan called on Republicans to find the means to ensure that no viable Republican candidate lost an election because of a lack of financial resources.
- A detailed history of the Contract With America. Balz and Brownstein detail clashes between Newt Gingrich and then-chairman of the House Republican Conference, Dick Armey, over the specifics of the Contract. They also look at the "selling" of the Contract, which began in a bar in Annapolis, Maryland, early in March 1994 when RNC Chairman Haley Barbour agreed to finance political ads for the Contract in *TV Guide*. It was months before Barbour, who had consumed a considerable amount of whiskey that night, knew what he had agreed to pay for.
- The inside story of how the National Rifle Association helped derail the \$33 billion Clinton crime bill in the summer of 1994. The crime bill, which initially seemed like an election-year triumph for Democrats, turned into a Democratic disaster when Republicans, with NRA backing, first blocked the bill from coming to the House floor and then relentlessly redefined it as a pork barrel give away to liberal constituencies.
- A comprehensive review of the process by which Republican leaders raised millions of dollars to help the House campaign committee retreat from the verge of bankruptcy and fund competitive House races in 1994.
- A look at the two overarching personal and political problems that entangled Clinton's presidency -- his inability to resolve doubts about his character and competence, and the continuing dilemma of the Democratic Party itself. Balz and Brownstein also detail the dysfunctional relationship between President Clinton and the Democratic Congress that sank his presidency during its first two years and review the damage caused by Clinton's decision to create an intimate partnership with Democratic congressional leaders that granted them a virtual veto over his agenda.

(over)

- A look at the long and sometimes bloody battle for power within the Republican party that left Newt Gingrich and the baby boomers within the GOP in charge of driving the Republican agenda.
- An inside look at the Republican's boldest and riskiest policy initiative of the new Congress -- the proposal to balance the budget by the year 2002 and cut taxes at the same time -- and a reconstruction of the process by which Republicans developed the most radical welfare reform bill in sixty years.
- An analysis of the various groups that make up the antigovernment grassroots movement of the 1990s. These include gun owners, Christian conservatives, term-limits proponents, state and local antitax organizations, small-business owners, Perot supporters, and the "wise-use" and property-rights movement.
- A discussion of the role that call-in talk radio programs, coupled with new communications technologies, such as fax machines and computer bulletin boards, have played in the development of an alternative communications network that enables Republicans to rapidly rally public opinion against any person or policy they care to target.
- A review of how the 1994 elections affirmed the South -- the largest prize of all the political regions in the country -- as the new Republican heartland. Balz and Brownstein show how the expansion of Republican power in this region deepens all the conservative tendencies of the party, from opposition to new taxes and support for higher defense spending to providing a more central role for social issues such as abortion and school prayer.
- A detailed analysis of the new Republican agenda as it attempts to shrink the size and scope of the federal government. **STORMING THE GATES** examines the intellectual realignment that has made the vast Republican assault against liberalism possible.
- A look at how two groups in particular -- religious conservatives and the army of voters massed under Ross Perot's outsider umbrella -- have rearranged the contours of American politics in the past five years. "Maintaining their allegiance," write Balz and Brownstein, "is critical to the GOP's hopes of becoming the governing majority into the next century." **STORMING THE GATES** also looks at how the increased power of these two groups creates an enormous strain with the party's shrinking but still prominent pro-choice, moderate bloc.

THE PRESIDENT HAS SEEN

1-19-96

96J

B. Bruce

18 January 1996

MEMORANDUM TO THE PRESIDENT
THE VICE PRESIDENT

CC: Bruce Lindsey
Brian Bailey
Adam Sohn

From: Harold Ickes *HI*

Re: Campaign information/data processing system

OK - summary
up

Attached is self explanatory 11 January 1996 memorandum to me from Deputy Campaign Manager and Director of Campaign Operations, Brian Bailey, and Adam Sohn, who works for Brian with respect to campaign technology, especially information/data processing systems.

Over the past 6 weeks, the campaign's Technology Advisory Group ("TAG"), which includes Brian Bailey, Adam Sohn, Michael Gill of the Vice President's staff, David Barram and several outside consultants, conducted an exhaustive assessment of the information/data processing needs of the campaign and have concluded that the campaign should obtain a mid-range PC-based (Windows type) data processing system rather than continuing to use Percy Malone's People Based/Office Power system which is text based.

Their recommendation is based on a number of factors including:

1) A PC-Windows based system is used by the vast majority of people the campaign will hire for staff and with whom the campaign will communicate. By comparison, Malone's system, while perhaps "state of the art" in the early 1980's when first developed, uses a different "language" which a vast majority of computer users are not familiar with and which they will have to learn if they are to use the Malone system effectively. 2) Because of the foregoing, most people will not use the Malone system, rather, as they did in 1992 (when we also used the Malone system), they will establish their own individual databases with their own PC which will not be integrated into the campaign's main system, if it is the Malone system, and, as a result, the campaign will not be able to effectively communicate and move information and data among its staff or with the outside world. In addition, if the staff does not use the campaign's central

system, as the staff did not in 1992, the data will not be centrally located in the campaign's system and the campaign will simply lose an unacceptable amount of information which will be stored on individual databases rather than in the campaign's database. 3) Acquiring the recommended PC-Windows based system will cost the primary campaign between \$50,000-\$100,000 more than installing the Malone system, but it is estimated that this additional cost will be more than offset by the convenience of using the PC system and by the assurance that at the end of the campaign, the campaign that will have all of its information on its central system.

Both Bruce and I strongly endorse the TAG's unanimous recommendation. Ordinarily we would not bother you with this kind of a decision, but since it involves no longer using Malone's system, Bruce and I wanted you to have this background and to have a short meeting with you before making the final decision. In considering this recommendation, you should be aware that Malone undoubtedly will object to not having his system used by the campaign and will probably claim that his system can do virtually everything that a PC Windows based system can do.

Given that we have field staff in several states and given that Craig Smith has now moved over to the campaign to set up the political-field operation, and given that the campaign has a substantial legal, accounting, and correspondence staff, it is critical that this decision be made by the end of this week, if at all possible. Therefore, Bruce and I request a short meeting with you to review this and to answer any questions you may have.

MEMORANDUM TO HAROLD ICKES

FROM: Brian Bailey and Adam Sohn

RE: Campaign Technology

DATE: January 11, 1996

Over the past six weeks, the Clinton/Gore Technology Advisory Group ("TAG") (Adam Sohn, Brian Bailey, Michael Gill of the Vice President's staff, David Barram and several outside consultants) has conducted an exhaustive assessment of the technology needs of the President's re-election campaign. We have spoken with campaign department heads, with people who worked on the 1992 campaign, and with technical consultants. We have analyzed the capabilities of Percy Malone's system (People Base/Office Power) to determine whether it will meet the technology needs of the campaign. It is our unanimous conclusion that Malone's system is not the right choice for the 1996 campaign. We unanimously recommend that the campaign acquire a mid-range PC (Window's based) system. These conclusions are based on the following factors:

-- Most PCs use a Windows-type operating system. This is the global standard in business and home computing. The White House, DNC, DSCC, DCCC, DGA, Congress and the federal agencies all use systems that are based on a Windows environment. It is from many of these organizations that we will hire campaign staff, and it is with some of these organizations that we will have to communicate on a regular basis. Using a Windows-based system that they are comfortable and familiar with will facilitate our ability to move and accept documents to and from outside sources. In addition, a vast majority of campaign supporters with whom the campaign will communicate by computer are familiar with or use Windows based systems.

-- The Malone People Base/Office Power system is difficult to use. Since the system is text-based -- as opposed to Windows-based -- it requires users to learn an entirely new language and operating environment. It is counter-intuitive and takes the user more time to accomplish routine tasks. As a result, most people simply won't use it. This was our experience in 1992. During the 1992 campaign, people used their own PCs to build their own individual databases which were not integrated into the People Base/ Office Power system which was the campaign's system. They were not familiar with the Malone system and most were unwilling to learn its text based language. As a result, staff used their own Windows based PCs which were not part of the campaign's central system. Thousands of names of and information on Clinton/Gore supporters was lost -- forcing us to rebuild the inaugural lists from scratch and to pay Malone's firm substantial amounts to convert and enter all the recovered data after the election. There is still no way to determine how much 1992 data

was never recovered.

-- The Malone system has no direct way for data to be transferred to the field or the traveling staff. Thus, information on the President's supporters will not be readily available to staff outside the national headquarters. This problem is complicated by the fact that the People Base system was written and is currently administered by one person, Carl Mecum. Thus, for example, if the Texas field office needs a list, they would have to call Mecum, request that he run the list, and then have the disk overnighted to their location.

The TAG strongly and unanimously recommends that the campaign acquire a mid-range PC-based (Windows type) system that takes advantage of the current and most widely used technology. (While the People Base/Office Power system was state-of-the-art in 1980, computing technology has come a long way.) A PC-based system will allow the campaign to perform the following functions: (1)word processing, (2)spreadsheets, (3)e-mail, (4)desktop faxing, (5)desktop paging, (6)internet connectivity, (7)correspondence, (8)document routing, (9)data repository, and (10)graphs/charts/maps. (Some but not all of these functions could be performed on Malone's system, but additional software would be required and the software would be text-based.) All of the data on Malone's system can be converted to the new system at a reasonable cost. A PC-based system will cost approximately \$50,000 more than Malone's system in the primary campaign, but it is our judgment that this cost will be more than off-set by increased productivity and post campaign costs in trying to recapture lost data if campaign staff refuse to use Malone's system and build their own individual data bases as they did in 1992.

Attached for your review is a memorandum from Dave Barram to Bruce supporting our conclusion and a memorandum from Adam to Bruce showing a side-by-side comparison of six routine tasks performed on a regular basis by campaign staff.

Fax

From:	Dave Barram	Phone:	202/482-4625
		Home:	202/338-4553
		Oregon:	503/598-4740
To:	Bruce Lindsey		456-2983
Subj:	Technology plans		
Date:	December 20, 1995		

Bruce,

I agree with the conclusions in the memo Adam sent you. He also sent a comparison of the 4 options and an analysis of the costs for the different options.

I think the basic issue is whether we want to have an overall system that people will use and use with vigor. Using the system with vigor means:

- having no qualms about its ease-of-use,
- considering it a natural tool for communicating with HQ, others in the endeavor, and with the outside world,
- using the power of the technology to do analysis, and even
- making available tools that allow each person to imagine new ways to think about her part of the endeavor and create the kind of spark that can make a crucial difference.

I appreciate the importance of historical relationships and of not changing just to change. We should change to make things better. In this case, it isn't even close. We have asked two smart, committed young men to take a lot of responsibility to recommend the best choice and then to make it work well. They have done a first rate job and we should take their recommendation.

If I can help as you work this through with the boss, please call on me. (I am leaving on Friday morning for Oregon for Christmas.)

Memorandum**To:** Bruce Lindsey**Fr:** Adam Sohn**Re:** Daily Campaign Task side-by-side

December 21, 1995

Here are six routine tasks campaign staff will need to accomplish daily. The side-by-side tables represent the Mouse or Keyboard actions necessary in the respective systems to execute the tasks.

1. Starting a new Word Processing Document:

PC Solution	Office Power
Double Click Mouse on WordPerfect Icon Begin Typing	Select Word Processing Select Update/Create Name Document Confirm Document Creation Begin Typing

2. Printing a Word Processing Document

PC Solution	Office Power
Click Mouse on Printer Icon at top of Screen Click Mouse on O.K.	Exit Word Processor Select Print Document Specify Document to be Printed Press "Accept" in printer configuration screen

3. Sending a Fax from the Desktop

PC Solution	Office Power
Write memo in WordPerfect Click Mouse on Fax option from File Menu Enter Number and Click on "OK"	Carl is Looking for Pricing and functionality information. Independent sources say product not readily available

4. Sending out a Press Release (assumes some fax numbers and some E-mail addresses for press).

PC Solution	Office Power
Write Press Release in WordPerfect Click Mouse on Send in File Menu Click Mouse on Press Distribution List Click on "OK"	Write Press Release in Office Power Print onto Letterhead Exit Document Editor Enter Print Document Select Document Press "Accept" in printer configuration screen. Exit Word Processing Enter E-mail Select E-mail Addresses for Press (No Internet Mail at this time) Attach Document and Mail to Appropriate Reporters Fax balance by hand or vendor to Press

5. Iowa Field Office Getting a List of Iowa "FOBs" from Main Database

PC Solution	Office Power
Click Mouse on Iowa Database Click Mouse on "view by code 'FOB'" in Sort Menu Click Mouse on Print From File Menu Click Mouse on "OK"	Call Carl and Ask for List. Carl Prioritizes Request. Carl Runs List When He Can. Overnights Disk to Iowa (delivered after 10 a.m.) OR Faxes List to State Office -- Must be Re-entered into Field Office System.

6. Importing Lists of Key Supporters from the State Offices

PC Solution	Office Power
Data Entered in State Offices Automatically Uploaded Nightly to Central Database	Data Entered in Field Offices Data Output to Floppy Disk Disk Overnighted to HQ Carl Imports Data and Adds to Database

THE WHITE HOUSE
WASHINGTON

*Use shared
Office -*

January 18, 1996

The Honorable Charlotte Schexnayder
Post Office Box 220
Dumas, Arkansas 71639-0220

*a: w/ incoming
Stephanie Streett
Anne Walley*

Dear Charlotte:

Thanks for your very fine letter of January 4. It was wonderful to hear from you, as always, and to receive your wise and encouraging words. As you know, we're continuing the budget negotiations, and I'm still hopeful we'll be able to reach a good, principled agreement soon.

Thanks, too, for your suggestion that I host the National Newspaper Association delegates here in March. I know what an important forum they provide across our country, and I've shared your letter with my schedulers, Stephanie Streett and Anne Walley, to let them know of your personal recommendation.

Hillary sends her best to you and Melvin, and we hope to see you soon.

Sincerely,

Bill



*Member
W. Schexnayder*

Representative

CHARLOTTE SCHEXNAYDER

Assistant Speaker Pro Tem

P. O. Box 220

DUMAS, AR 71639-0220

501-382-4925 Business

501-382-5255 Residence

501-382-6421 FAX

STATE OF ARKANSAS

House of Representatives

COMMITTEES

MEMBER

Revenue and Taxation

State Agencies and

Governmental Affairs

Rules

Joint Budget

January 4, 1996

DISTRICT 74

Part of Desha County

Part of Jefferson County

Part of Lincoln County

President Bill Clinton
The White House
Washington, D. C.

Dear Mr. President:

While I know it has been an exceedingly difficult holiday season for you and your family, we here are very proud of your efforts to fight for those with the least during negotiations on the budget process.

A college student was here today to voice fears that he and his friends have regarding the student loan process. I am approached daily by senior citizens who fear the future of Medicare and Medicaid. Your courage and resolve are greatly to be commended.

You have been kind to host the National Newspaper Association delegates to their government conference in the past three years, and I hope you will agree to do so again this year. These are influential people on the smaller newspapers, and I think they are far less cynical and more open-minded than some of the larger media. NNA has asked your scheduling office about the possibility for a reception on Friday afternoon, March 22. I will appreciate your consideration.

Melvin and I remain committed to speak out for you and the first lady wherever we go. We know you are making a major contribution to the vision and destiny of this nation, and are proud you are at the helm in difficult times.

With kindest regards,

Cordially,

Charlotte

CAD

Thank you for sharing your views regarding the federal budget. ~~It is~~ ^I regrettable that some members of Congress have

chosen to put ~~federal employees and~~ those who depend upon ^{and the hardworking federal employees who provide those services,} many important government services in the middle of the budget

^{disputing} ~~It is~~ ^{IT IS VERY} and ~~and I hope that it will never happen again.~~

~~It is important that we~~ ^{must} balance the budget, ^{and we must do it} ~~but we must do~~

~~It~~ in a way that strengthens our economy and ~~that~~ maintains

our values -- protecting Medicare, Medicaid, and the environment, and continuing our investment in education. My seven-year

balanced budget proposal reflects these priorities and builds on

^{the} ~~our~~ successful record of deficit reduction. ^{we have already}

As my Administration continues working to move our nation forward, I am grateful for your involvement.

[Working
fam. (122
1,000)]

established by 46 years
~~straight~~

TO: DORSEY, M D

1/19/96

Thank you for sharing your views. It's important for me to know how you feel about the challenges facing our nation.

I believe that we must balance the budget, ^{and} ~~but we must~~ do it in a way that is good for our economy and ~~that~~ maintains our values -- protecting Medicare, Medicaid, and the environment, and continuing our investment in education. And we have to do it without raising taxes on working families.

In the weeks ahead we will continue our bipartisan efforts to find common ground on balancing the budget, and I hope you will stay involved.

THE PRESIDENT HAS SEEN

1/19/96

cc: Don Baer

THE WHITE HOUSE

WASHINGTON

96 JAN 19 A10:00

January 18, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Robert Rubin *R. R.*
Alice Rivlin *AR*
Laura Tyson *LT*
Joseph Stiglitz *JS*

What about it?
Don Baer

SUBJECT: Tax Issues and the State of the Union Speech

1. We understand that you will be discussing the Middle Class Bill of Rights, the expansion of the earned income tax credit (EITC) in 1993 and more generally your accomplishments in making the tax system fairer and reducing the deficit. All of us believe that these themes should be emphasized. But beyond these themes we also believe there are additional points you might consider.

2. You could mention some general principles of tax reform, that you will continue to follow as you improve the tax system -- that it should make the system simpler and fairer, help the economy, and reduce tax burdens on working families. You can then contrast this to Republican flat tax plans which would widen the deficit by cutting taxes on the wealthy. As part of this tax reform discussion, you could make two more specific announcements:

(i) Announce that the Administration will be releasing some interim proposals to simplify the tax system and refer specifically to the Treasury proposal to eliminate capital gains taxes on housing for most families. You may also want to remind people of recent efforts by the IRS to make tax filing easier.

The proposal to eliminate capital gains on housing was discussed with you in the fall. At the time you found it attractive and suggested it be considered as part of your State of the Union speech. We all believe it is a winner.

(ii) If you feel you need to do something else, you could announce that you have directed the Treasury Department to prepare a report for the National Economic Council (NEC) on broad-based tax reform alternatives. The report would be submitted to the NEC at the end of 1996.

These two announcements would give you maximum flexibility in the tax reform debate, depending on how the debate on the Republican side evolves. For example, the Treasury report could be expanded to include interim reports or have Administration officials hold public hearings on tax reform issues. Of course, while the study proceeds, Treasury will continue to prepare analyses of tax reform options for review by the NEC and presentation to you.

Conclusion

These issues were discussed at a recent NEC meeting. All of us agreed that we shouldn't wait for a broad tax overhaul, which no one is proposing to enact before 1997, to take some steps this year to make the system simpler for ordinary taxpayers. The simplification steps can be taken as downpayments on future reform and contrasted with the Republican legislative proposals you vetoed that would have made the tax system more complicated and less fair.

Members of the NEC favored both the tax simplification ideas and the idea of preparing a report on tax reform, but differed as to whether the State of the Union Address was the appropriate forum for announcing these initiatives. Some believed that the proposals were not sufficiently far-reaching to compete with the Republicans' proposed reforms. Others believed that the proposals indicated we were responsive to public concerns about the tax system.

Finally, you should know that over the next few weeks, the NEC will convene a series of meetings for Principals to discuss and evaluate numerous proposals for broad-based tax reform. The goal of these meetings is a decision memo to you regarding the desirability of broad-based tax reform, along with suggestions about how such reforms could be implemented. We will work with the Chief of Staff to ensure this project receives adequate attention from the relevant staff.

CC:

Don Bane
Michael Waldman
By 1.

Don Bane for
reply



THE ENTERPRISE FOUNDATION

January 18, 1991 19 All: 11

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FOUNDER-CHAIRMAN
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CHAIRMAN & CEO
EDWARD L. QUINN
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REYNARD RAMSEY
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ANDREW J. YOUNG

President William Jefferson Clinton
The White House
1600 Pennsylvania Avenue
Washington, D.C.

Dear Mr. President:

Across America, urban communities struggle with seemingly insurmountable problems. The list of urban ills is well known; solutions more difficult to find. Yet the true strength of this country is forged by the character of its people and their ability to bring forth the best ideas, practices and advances in response to adversity.

This character is found today in the thousands of people who are working to reverse the deterioration of their neighborhoods. They are part of a growing number of community-based development organizations that have accomplished lasting results in neighborhoods where other revitalization approaches have failed.

As you prepare your State of the Union Address, please consider publicly acknowledging some "Community Heros" who are committed to helping rebuild their neighborhoods. The Enterprise Foundation is proud to offer for your consideration six outstanding leaders from urban communities around the country. Their stories can serve to illustrate that -- through public-private partnership and resident participation -- our urban neighborhoods can and will be rejuvenated.

You have been a strong advocate for the thousands of people working so hard, and so effectively to do for themselves what no one else can: restore hope for a healthy environment in which to live, work, and raise their families. It is our sincere hope that you will reserve time in your speech to honor the efforts of a few Americans who exemplify the type of grassroots initiative and strength of purpose that have distinguished our nation as a people undeterred by adversity.

The Enterprise Foundation is happy to assist your staff in this matter.

Best wishes,

F. Barton Harvey III
Chairman of the Board &
Chief Executive Officer

FBH:mjb
cc: James W. Rouse

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CHARLES S. ROBB
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Loretta Smith

*Community Building In Partnership, Inc.
Baltimore, MD*

For those who lack essentials such as adequate food and clothing, the steps toward self-sufficiency -- lining up child care, obtaining a high school equivalency certificate, going for job interviews -- become insurmountable hurdles.

Loretta Smith understands the frustration of those trying to get the help they need to become productive hard-working citizens. In 1992, she took a stand on behalf of the residents of Baltimore's Sandtown-Winchester community who had fallen through the cracks of the system.

On her own, with nothing more to invest than her time and commitment to the neighborhood, Ms. Smith established the Family Assistance Network (FAN), a community food and clothing bank that now has over 200 members. FAN receives food from local nonprofit food banks and clothes from personal donations, which are then provided to members in return for their volunteer services, such as reading to neighbors and neighborhood clean-up efforts.

A former Social Security Administration service representative, Loretta also serves as a family support team leader for Community Building in Partnership, Inc., a community-based nonprofit that is administering the nation's first Neighborhood Transformation program in partnership with the city of Baltimore and The Enterprise Foundation. Sandtown, a community in West Baltimore, has approximately 10,000 residents, 95 percent of whom live in deep poverty. The Neighborhood Transformation program is working to simultaneously change the community's dysfunctional systems -- including housing, health care, education, public safety and employment.

Ms. Smith single-handedly raised two children in Sandtown-Winchester while working full time to open FAN, and is currently helping to raise two grandchildren and a foster child. Additionally, she serves on the boards of three local nonprofit organizations that are addressing health care issues including drug abuse, infant mortality, and emergency food services. She also is a neighborhood advocate for the community law center.

At age 45, Ms. Smith received her AA degree in 1995 and this month starts work toward her BA in human services and social work at the University of Baltimore.

Dee Walsh
Executive Director
REACH Community Development, Inc.
Portland, OR

When Dee Walsh looks at an abandoned house, she sees potential. As executive director of one of the most experienced community development corporations in Portland, Oregon, Dee Walsh is an expert in turning a neighborhood eyesore into an asset.

Ms. Walsh, who heads REACH Community Development, Inc., considers her greatest achievement to be the growing involvement of residents in community planning programs. REACH's aim, she said, is to help people recognize their stake in the well-being of their neighborhoods and to offer a framework that will enable them to be effective leaders for change.

Serving Southeast Portland since 1982, REACH has helped thousands of people with limited incomes obtain safe, affordable homes. REACH has developed more than 700 units of affordable rental housing, nearly half of which provide homes for people with special needs, such as the frail elderly, formerly homeless women and mentally disabled residents. Additionally, REACH just completed 18 houses under its homeownership program.

REACH also is assisting community residents in a recently launched neighborhood commercial revitalization project that is focusing on physical improvements, recruiting new business, helping existing businesses gain access to funding sources, and working to eliminate vandalism and gang-related crime problems. This initiative is being funded by a John Heinz Award that the organization received from HUD in 1995.

Ms. Walsh has developed a model community planning process that enables residents to define problems and solutions that will help revitalize inner-city neighborhoods. The organization's first community plan received the President's Volunteer Action Award in 1993.

*Robert L. Simpson
Executive Director
Crispus Attucks Association, Inc.
York, PA*

In his 16 years as executive director of Crispus Attucks Association, Bobby Simpson has rehabilitated houses, educated children and sparked the renewal of a neighborhood's spirit.

Born on the west side of York, Pennsylvania, the second of 10 children, Bobby Simpson worked as a bricklayer and a foundry worker before joining the Caterpillar Tractor Co. in 1968. That same year, he saw his neighborhood torn apart by riots. In the aftermath, Mr. Simpson helped establish a neighborhood youth center, and got to know the leaders of other recreation centers in the city. In 1976, Mr. Simpson was asked to serve on the Crispus Attucks' board. In 1979, he was asked to serve as the organization's executive director.

During his tenure, Simpson has helped the organization rehabilitate dozens of vacant neighborhood houses that are rented at affordable rates for low-income residents. Under Simpson's guidance, Crispus Attucks launched a day care program that now serves more than 175 children. Additionally, the organization provides drug abuse and employment counseling and operates a seniors recreational program.

Crispus Attucks is widely recognized as one of the nation's finest community-based development organizations. Last year, 85 percent of the children who have been in Crispus Attucks day care, after-school tutoring and recreational programs were on the honor rolls of their respective schools.

"There's no reason to exist if you don't help your fellow man out; if you don't give back some of what you learned in life," said Simpson.

*Yvonne Stennett
Executive Director
Community League of W. 159th Street
New York, NY*

Yvonne Stennett is a dynamic leader with a long history of working with nonprofit community development organizations. In 1976, she graduated from college and started working as a youth employment counselor with the New York Urban League. She joined the Community League in 1979 as an adult advisor and has been with the group ever since.

Anyone who has walked down W. 159th Street can see the impact she has had on the neighborhood. Her commitment to a wide range of programs -- affordable housing, youth programs, employment training, health services and neighborhood beautification -- has created a improvement movement throughout the community. She has spurred revitalization, involving local residents and business people who have reclaimed formerly boarded-up apartment buildings in the Harlem neighborhood. She has reached out to private landlords on the block to improve their properties. She nurtures local leadership by urging tenants to become involved in block activities and supporting their efforts.

Community League serves the Washington Heights neighborhood in upper Manhattan. Programs include affordable housing development, youth services, economic development, health services, recreational programs and substance abuse prevention. The organization has been responsible for renovating 430 apartments and has established a family health center and holds an annual health fair at which neighborhood children may receive free screenings.

Ms. Stennett created a mentoring program for adolescents that focuses on building self-esteem, preparation for the work place, and health care issues.

Beatriz Olvera Stotzer
President
New Economics for Women
Los Angeles, CA

Bea Olvera Stotzer remembers what it was like for her and her five siblings to sleep in bunk beds crammed into the family's one-bedroom house, while her parents often slept on the kitchen floor.

At the age of six, Ms. Olvera Stotzer's father left his children -- two of whom were stricken with muscular dystrophy -- and her mother was forced to go on welfare to support the family. Ms. Olvera Stotzer vividly remembers her mother's sense of bitter disappointment at having to accept outside help. But she also remembers her mother's expectation that the children would make good use of the support they received by getting a good education and by being productive citizens.

Today, Ms. Olvera Stotzer is a recognized national leader for the innovative economic development work she is doing as founder and president of New Economics for Women in Los Angeles, which was established 10 years ago. NEW's approach is to create models that will demonstrate that urban social and economic patterns of poverty can be permanently changed by addressing the real economic needs of women and children -- affordable housing, access to quality child care, employment training programs that lead to higher paying jobs, and a network of community support and services.

NEW is the first economic development corporation in the nation created and operated by Latina women. The organization primarily focuses on the needs of Latina women who are single parents.

Ms. Stotzer brings to her work more than 20 years of management experience in the areas of government, public affairs and program development. Currently, Ms. Olvera Stotzer is manager of multicultural affairs for the Los Angeles Department of Water and Power.

In 1985, Ms. Olvera Stotzer organized NEW and undertook the development of the \$18 million, 110-unit Casa Loma apartment complex in one of the poorest, most densely populated neighborhoods of Los Angeles. Casa Loma provides homes to working single parents and their families.

Last year, construction started on two new apartment complexes in the Casa Loma neighborhood just west of downtown Los Angeles.

Ms. Olvera Stotzer has a long history of community involvement and has received numerous awards from state and local officials and professional organizations.

Gus Rosado
Executive Director
El Barrio's Operation Fightback (East Harlem)
New York, NY

A native of the El Barrio neighborhood on East Harlem, Gus Rosado founded El Barrio's Operation Fightback in 1983. He has undertaken massive efforts to revitalize the neighborhood by "fighting back" against years neglect that turned the neighborhood into a safe haven for drug dealers and gangs.

Mr. Rosado has played a key role in the rehabilitation and transformation of 18 buildings -- once abandoned shells -- into greatly needed safe and affordable housing.

Mr. Rosado has spearheaded the development of more than 200 decent, affordable apartments in El Barrio. Through his organization, hundreds of families have avoided disruptive evictions and displacements; landlords of substandard buildings have been forced to make much-needed repairs and ultimately upgrade the community's housing stock.

Gus Rosado's efforts have forged a real sense of community in the El Barrio. Residents watch out for each other and outreach activities, such as block fairs, field trips, and music and dance recitals for neighborhood children, have fostered a small town atmosphere in this corner of East Harlem.

Through Gus Rosado's work, hundreds have been housed, educated, and inspired to take pride in themselves and their neighborhood.

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 1-19

TO:

George

FROM: Staff Secretary

Potus really
needs to see this?
He's editing talking
points now?

TRH

146012

THE WHITE HOUSE

WASHINGTON

96 JAN 19 AID: 04
January 18, 1996

MEMORANDUM TO THE PRESIDENT

FROM: George Stephanopoulos
Alexis Herman
Jeremy Ben-Ami
Ann Lewis

SUBJECT: Preparation for Veto of HR1833

We have heard clearly your concern that your staff and spokespeople have a consistent and cogent message concerning the impending veto of HR1833 (the bill criminalizing certain abortion procedures).

Although we do not know exactly when the bill might be sent to you, it could move quickly after Congress returns from recess. In anticipation, the following preparations are underway:

- o Talking Points: We have drafted one page of talking points (attached) about choice generally and this bill in particular to guide people in talking about the veto. We would like your comments before we move forward with them. Frank Greer is also looking at them and will provide input.
- o Outreach: Alexis has prepared a list of calls that she and her staff will make in advance to prepare key groups and individuals for a public announcement of the veto.
- o Support from Women's Community: Most of the leading women's organizations have gotten together to pay for a full-page ad that will run in the Post on Tuesday thanking you for your opposition to the bill and casting the issue in terms of the impact on families and women's health. Frank Greer has helped put the ad together. Ann Lewis will forward it to you when it is complete.

Please let us know what you think of the talking points and what other thoughts you may have as to how to roll out this decision. We are ready to meet with you to discuss this further.

cc: Leon Panetta
Harold Ickes
Carol Rasco

TALKING POINTS: HR1833

The following points provide guidance on talking about the administration's position on the President's impending veto of HR1833 (which criminalizes certain abortion procedures). The bill could be sent forward by Congress at any point following the State of the Union.

General Position on Choice

- THE PRESIDENT BELIEVES THAT THE DECISION TO HAVE AN ABORTION SHOULD BE BETWEEN A WOMAN, HER CONSCIENCE, HER DOCTOR, AND HER GOD.
- THE PRESIDENT SUPPORTS THE CONSTITUTIONAL GUARANTEE OF A WOMAN'S RIGHT TO CHOOSE. HE BELIEVES FURTHER THAT LEGAL ABORTIONS SHOULD BE SAFE AND RARE.
- HE HAS CONSISTENTLY OPPOSED LATE TERM ABORTIONS EXCEPT TO PROTECT THE LIFE AND HEALTH OF THE MOTHER. He has supported state prohibitions of abortions post-viability unless the life or health of the mother is at stake and signed such legislation as Governor of Arkansas.

HR1833

- THE PRESIDENT IS PLANNING TO VETO THIS BILL BECAUSE IT DOES NOT PROVIDE AN EXCEPTION FOR CONSIDERATION OF THE HEALTH OF THE MOTHER.

While the President opposes late term abortions and has supported state prohibitions of them consistent with Roe v. Wade, he believes these prohibitions must provide an exception for cases where the mother's life and health is endangered. Political decision making should not be substituted for medical decision making.

[Note: While there are other problems with the bill, it is important to remain tightly focussed on the health issue as the basis for the President's opposition.]

Loose (Ickes)
Source (COS (Craig T. Smith))
for information
←

THE PRESIDENT HAS SEEN
1-18-96

VIEWPOINT

THE PRESIDENT HAS SEEN

1-18-96

✓ GOP abandons our environment, which Nixon — yes — helped save

Among the many mitigating factors omitted from Oliver Stone's faux documentary, *Nixon*, was the fact that he ranks among America's great environmental presidents, perhaps up there with Teddy Roosevelt and Abraham Lincoln.

If it strains credulity in 1996 to think that this Republican — perhaps any Republican — could achieve such stature, recall this: Between 1970 and 1974, the most significant environmental legislation in the nation's history became reality.

The Clean Air Act, the Clean Water Act, the Endangered Species Act, the Safe Drinking Water Act, the Federal Coastal Zone Management Act and the bill creating the Environmental Protection Agency all crossed Nixon's desk and were signed into law.

Florida's Nathaniel Reed, who as an assistant secretary of the Interior during that period oversaw the national park system, recalls Nixon doubling the money spent on acquiring endangered lands. Reed also remembers the late president vowing that his record as a conservationist would exceed the achievements of Presidents Kennedy and Johnson, the Democrats who preceded him.

Say what you might about this most tormented of our recent presidents, but the Nixon years may be remembered as the golden age of bipartisan environmentalism.

This is not to eulogize Mr. Nixon or rebut Oliver Stone. It is to make a different point about a dramatic shift in the environmental debate, one that could determine the outcome of the 1996 presidential campaign and control of the next Congress.

Where, oh where, have Republican environmentalists gone?

You can follow this presidential campaign intently — listening to every speech, reading every position paper — and rarely (never in some cases) encounter serious words about protecting or improving the environment.

You will hear loads about balanced budgets, tax cuts, family values, crime prevention, over-regulation, Whitewater and Bosnia. But nothing about making our air purer, setting aside new places for our children and grandchildren,

respecting the most vulnerable of God's creatures, combating global warming or otherwise saving the Earth.

What are we to make of the fact that not a word in the Contract With America, the ostensible compact for the future, addresses the environment?

What does it say to us that the GOP's balanced-budget bill auctions our nation's natural resources at bargain prices, putting old-growth forests, vast prairies and even the Arctic Wildlife Refuge on the sales block? And what would Nixon think of the Environmental Protection Agency — his progeny — being hit with a 35 percent budget cut, gutting its ability to enforce existing laws or clean up toxic waste sites?

It says the GOP has abandoned this issue to President Clinton and the Democrats.

What's more, many Republican conservatives (as opposed to conservationists) take open delight in such steps. Hardly a week goes by that Rush Limbaugh, the honorary president of the 104th Congress' fresh-

man class, doesn't ridicule environmentalists on his radio show while a chain-saw screams in the background.

To Pat Buchanan, the EPA is staffed by a wild-eyed bunch of "bead and sandal-wearing bureaucrats." Bob Dole and Phil Gramm, who agree on so little, are together on the so-called "Private Property Rights Act" that would effectively bar the federal government from protecting the wetlands, estuaries and beaches important to all of us.

And then there are the real crazies, like U.S. Reps. Don Young, R-Alaska; Helen Chenoweth, R-Utah, and J.D. Hayworth, R-Ariz., to name just three.

Young, chairman of the House Resources Committee, not only champions oil-drilling in the Arctic National Wildlife Reserve, but he advocates the unrestrained use of steel-jaw leg traps. During one congressional hearing he stuck his finger in a trap and proceeded to ask questions as if nothing odd was going on.

"I never told anyone, but it hurt like hell," he later confided.

Chenoweth, who insists on being called "congresswoman" despite her gender, regularly blasts the Endangered Species Act. She once held a fund-raising dinner featuring the threatened Sockeye Salmon. And during a House debate, Chenoweth rose with a question: "Excuse me, but can someone please explain what an ecosystem is?"

Hayworth, a former TV sportscaster who got his start at Jesse Helms' old station, was quoted in *The Progressive* magazine saying that logging was particularly beneficial to salmon because it reduced the



TOM FIEDLER
POLITICAL
EDITOR

For Floridians, protecting the environment is not an abstract issue.

Where have the GOP environmentalists gone?

FIEDLER, FROM 1C

chance of forest fires.

House Majority Whip Tom DeLay of Texas, a bug exterminator before entering politics, sent out an advisory to fellow Republicans two months ago on how they might insulate themselves against charges that they were anti-environment. His major points: Participate in a local park cleanup and plant a tree.

I didn't make that up.

This is not to suggest that there aren't plenty of stupid Democrats. But the point is that the Republican Party and its leadership have allowed such



Nixon

people to frame its arguments. Somewhere between Richard Nixon and Newt Gingrich (who friends say is pained by the anti-environmental bent of his loyalists) the GOP seemed to switch sides.

Some blame Ronald Reagan, and for good cause: James Watt and Ann Gorsuch among them. Others like Denis Hayes, organizer of Earth Day in 1970 and 1990, suggest that the rise of Republicanism in the South and West — where the exploitation of natural resources is vital to business — is responsible.

Eastern Republicans like Reed, Nelson Rockefeller, Rogers Morton and many others have been supplanted by the Don Youngs and Helen Chenoweths.

Currently the House Republicans seem to be engaging in a quiet struggle as a few moderate voices — including Florida's Porter Goss, Lincoln Diaz-Balart, Ileana Ros-Lehtinen and Clay Shaw — are providing enough

of a counterweight to keep their extremist colleagues from completely raping our resources.

For Floridians, protecting the environment is not an abstract issue. The battle rages on as to how to save the Everglades, how to restore the Florida Keys and protect its reefs, how to clean up Florida Bay, how to preserve the vast hardwood swamps and forests of the Panhandle, how to grow in population and yet sustain the natural amenities that brought us here.

There are many things in the Nixon record the Republican Party must live down, as Oliver Stone was only too happy to document.

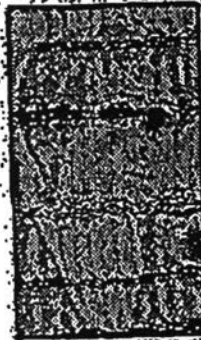
But here is one Nixonian legacy that the party and its candidates would be wise to resuscitate, for their sakes in next fall's election — and for the sakes of future generations.

Everglades 'buyback' is studied

By CYRIL T. ZANESKI
Herald Staff Writer

The Clinton administration is pledging to swiftly prepare a master plan for buying a "substantial" amount of farmland and dividing up the costs of turning it back into marshes for Everglades restoration.

Senior administration officials brought that message this week end to the Everglades Coalition, the 30 national, state and local environmental groups whose 11th annual meeting ends today in Pembroke



Rines. "Substantial land must be returned to its natural functions, so that they can once again store and purify the water that is so crucial to the Everglades and all of South

Florida," Carol Browner, the Environmental Protection Agency administrator, assured the group Saturday. Browner and Alice Rivlin, the director of the Office of Management and Budget, quoted a memo written last week by Vice President Al Gore that reasserted the restoration of the Everglades and Florida Bay as a top administration objective.

The memo stopped short of saying how much farmland needs to be bought and who should pay what many expect will be a \$700 million price tag for buying and restoring farmland in the Everglades Agricultural Area south of Lake Okeechobee.

"We're going to establish very firmly the principle that polluters pay," Rivlin said. "It's a right principle, and how it's a necessary principle — because the government's broke."

Environmentalists cheered that message. And they characterized Gore's memo a "significant breakthrough" in the administration's position on the Everglades.

"There is a near-complete agreement now on the need to acquire a major water storage area in the Everglades Agricultural Area," said Charles Lee of Florida Audubon Society.

Lee said the memo suggests support for the coalition's position that 230,000 acres in the sugarcane-growing area south of Lake Okeechobee need to be taken out of production and set aside as a water storage and management area. That would mean about 130,000 additional acres of farmland would need to be purchased and restored.

The administration's memo was vague enough, however, that sugar industry representatives could find no room for disagreement.

"As I read it, the memo says the Everglades needs to be protected and restored... and that all those who are responsible for the problem, including us, should pay," said Bob Buker, vice president of U.S. Sugar. "We agree with all that."

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The Palm Beach Post

January 14, 1996, Sunday, FINAL EDITION

SECTION: LOCAL, Pg. 1B

LENGTH: 581 words

HEADLINE: GORE FLOATS 100,000-ACRE EVERGLADES TRIAL BALLOON

BYLINE: WILLIAM HOWARD

DATELINE: PEMBROKE PINES

BODY:

Environmentalists on Saturday cited a recent letter by Vice President Al Gore as the strongest evidence yet of the Clinton administration's support for buying at least another 100,000 acres of sugar cane fields to clean and store water for the Everglades.

'As a matter of policy, they have committed to a substantial land acquisition in the southern Everglades Agricultural Area,' said Ron Tipton, director of the World Wildlife Fund's South Florida Everglades Project.

Environmentalists who gathered Saturday for the 11th annual Everglades Coalition Conference said they will use the fall presidential election to lock in bipartisan support for the additional land, which could cost \$ 200 million or more.

Indeed, the vice president's Jan. 11 letter stems from an Everglades campaign that gained momentum during the Dec. 8 Democratic state convention in Miami.

Gore's letter urges six top federal officials - including Agriculture Secretary Dan Glickman, Interior Secretary Bruce Babbitt, Environmental Protection Agency chief Carol Browner and Office of Management and Budget Director Alice Rivlin, to aggressively pursue land acquisition in the south end of the Everglades Agricultural Area and to find money or tradeable federal land to acquire it.

The letter also calls for splitting the cost of the land among those responsible for polluting the Everglades 'including the Florida sugar cane industry' and cities that benefit from the region's flood control system and water supply that the Everglades provides.

Barbara Miedema, spokeswoman for the Belle Glade-based Sugar Cane Growers Cooperative of Florida, said their scientists contend that flooding another 100,000 acres of farmland would do little to purify water bound for the Everglades and would worsen droughts by requiring that more water be sent south from Lake Okeechobee.

'What do you need the land for?' Miedema asked. 'Is it to hurt the sugar



LEXIS-NEXIS

A member of the Reed Elsevier plc group



LEXIS-NEXIS

A member of the Reed Elsevier plc group



LEXIS-NEXIS

A member of the Reed Elsevier plc group

industry or help the Everglades?''

Everglades Coalition members said flooding the land would help make amends for the loss of 700,000 acres of wetlands that were drained to create a fertile and profitable growing area south of Lake Okeechobee, as well as hundreds of thousands of acres drained to create land for South Florida's sprawling western suburbs.

The additional 100,000 acres mentioned by Gore would be one of three blocks of farmland acquired for Everglades restoration.

The South Florida Water Management District is already buying land for a 40,000-acre system of marshes to clean up water flowing from farms into the Everglades. Both farmers and city residents are paying for the \$ 768 million project.

Gore's letter also endorses the East Coast Buffer - a 60,000-acre system of marshes and reservoirs that would capture and store water along the populated eastern edge of the Everglades - and the purchase of 52,000 acres of Talisman Sugar Corp. land in the Agricultural Area.

Sen. Bob Graham said Friday he is ''guardedly optimistic'' Congress will find \$ 35 million this year to pay for half of the Talisman land. The state would pay for the other half.

Assistant Interior Secretary George Frampton said election-year politics may fuel a competition among candidates to show their commitment to Everglades restoration.

Coalition participants said they plan to hedge their bets on the Everglades land deals by seeking support for their cause among GOP presidential candidates such as Sen. Bob Dole of Kansas.

NOTES:

Ran all editions.

GRAPHIC: PHOTO (B&W) & GRAPHIC (B&W), 1. MARK HEMPHILL/Staff Artist, TARGETED FARMLAND, Vice President Al Gore has endorsed plans to obtain 100,000 acres of farmland that would be used to store water for the Everglades. Official are already working on plans to buy land from Talisman Sugar Corp., 2. Al Gore (mug)

LOAD-DATE: January 17, 1996



LEXIS-NEXIS
A member of the Reed Elsevier plc group



LEXIS-NEXIS
A member of the Reed Elsevier plc group



LEXIS-NEXIS
A member of the Reed Elsevier plc group

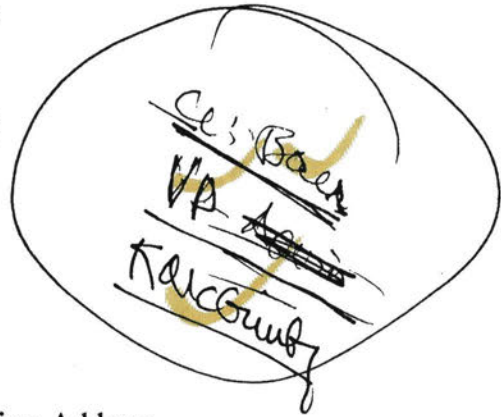


THE PRESIDENT HAS SEEN

THE SECRETARY OF THE INTERIOR
WASHINGTON

1-18-96

January 12, 1996



Memorandum for the President

From: Bruce Babbitt *BB*

Re: Environmental Subjects for your State of the Union Address

Per your request, I am following up on the subjects that we discussed earlier in the week.

1. Begin this section by repeating your pledge to defend our environmental laws against the Republican onslaught.

Despite what the skeptics and naysayers would have us to believe, a great nation can have both a prosperous economy and a healthy environment.

In 1996, we have cleaner air, purer water, and more abundant wildlife than we had 30 years ago, because we have environmental laws that work. Unfortunately, a minority in this Congress appears intent on rolling back the very laws and regulations that have resulted in this progress.

The National Park System is the most powerful symbol of our natural heritage, and you should mention, as you have before, your determination to defend it (a personal reference to your experience in Yellowstone last summer would be good).

2. Move toward the affirmative. The Clean Water Act is the best vehicle for this. Tell Congress again that you will resist attempts to weaken it, and then call on them to strengthen it, by giving communities, working together, all over America the tools they need to restore entire watersheds. The New York example that I mentioned to you is one such example (it is described in more detail in the attached draft op ed piece). Community efforts to restore salmon in the Northwest (such as Piper Creek running through suburban Seattle) is another example.

Nancy
Harnreich

3. Put out a brand new proposal designed to capture public attention and that points toward legitimate decentralization and empowerment of citizens and communities. Recognize the efforts of the thousands of land trusts that are springing up all over the country for the purpose of preserving open space--a hugely popular issue. Attached is a memorandum from John Sawhill of the Nature Conservancy outlining ways that we could encourage these trusts though some changes in the tax code that follow fairly well known patterns. In addition to the Sawhill proposal, we should consider broadening the rules for deductibility of gifts of land and perhaps reduce or eliminate the capital gains tax on sales to trusts.

I would be happy to follow up on these or other ideas as you may wish.

c.c. The Vice President
The Chief of Staff

A WATERSHED YEAR

By Bruce Babbitt

For the insurgent Republicans who took over Congress, 1995 was supposed to be a watershed year. The public's demand for deregulation, Congress assumed, gave them a broad anti-federal mandate to rip apart the fabric of 20 year old environmental laws like the Clean Water Act, the Safe Drinking Water Act, and the Endangered Species Act. Weaker federal laws would, they assumed, empower state and local governments, boost the economy and restore harmony to American communities fighting over natural resources.

To test those assumptions, I went out across the country in 1995 visiting 67 cities over 100 days, asking America's communities how federal environmental laws affected them at the local level.

Developers and environmentalists showed me how, after years of stagnation, their economies were boosted and diversified, while property values increased. Anglers and agriculture told me how at last they were able to find common ground.

It seemed 1995 was, truly, a watershed year, in which American communities crossed into an era of environmental restoration.

Yet in every case, from rural residents to urban planners, I learned that the catalyst for this fundamental restoration was not the new majority in Congress, but the very environmental laws they have tried to abolish.

Consider New York City, where eight million people drink six glasses of water a day. For years, land use practices in the Catskill Mountains, the source of the city's best water, were threatening the quality of that water supply. A classic urban-rural conflict where one side can win only at the expense of the other, right?

Wrong.

In October 1995 the City of New York and the rural residents of the Catskills put aside old antagonisms to negotiate an agreement that manages the Catskill watershed for the benefit of both. The city will finance new roads, sewage treatment and farm waste practices in the Catskills that protect the high quality drinking water. Both parties benefit and the city saves the \$4 to \$8 billion price tag for new filtration technology.

It was a federal law, the Safe Drinking Water Act, that set the stage for this intricate agreement. But it was local ingenuity that crafted the solution, by bringing together urban and rural groups to forge a common future.

Consider also the citizens of south Florida. Miami and adjoining coastal cities are running low on water. The Everglades National Park is declining and the fisheries of Florida Bay are in trouble, all because agricultural drainage projects have severed the hydrological arteries that once connected the Everglades to Lake Okeechobee, a life-giving water supply. Clean water, or the lack of it, has been tearing the state apart.

But by 1995, the people of south Florida had decided to reject expensive piecemeal remedies like a new water project for Miami, or technological fixes for agricultural pollution. Instead, they went straight to the heart of the matter and embarked on a larger vision -- restoring the wetlands system that originally sustained the delicate balance between people and the natural world of this tropical region.

The result is quite simply the largest watershed restoration plan in the history of the world. This plan -- which affects land and water use from Orlando through the Everglades down into Florida Bay to Key West -- is ambitious and complex: it involves interactive science, planning and bargaining among cities, environmentalists, agriculture and the state legislature.

Once again, federal agencies are at the table, but they are responding to the desire of Florida's citizens, not Washington lawmakers. And Florida has made a clear choice: to use environmental laws like the Clean Water Act and the Endangered Species Act to help restore the enchanting mixture of sky, salt and fresh water, land and wildlife which is the ancient imprimatur of this region.

Finally, consider California, where Mark Twain once observed: "whiskey's for drinkin' and water's for fightin'." More than a century later, little had changed. Northern California, where most of the water is, and Southern California, where most of the people are, have been at war over water for three generations.

But by 1995, weary of conflict, failed legislative proposals and grandiose water export schemes, California's cities, agriculture and environmental groups came to the table and stayed there until they hammered out an intricate, if tenuous agreement. Working under the Endangered Species Act and Clean Water Act, they decided how to use water more efficiently in cities and on farms, how to manage the statewide water system to leave enough "in the stream" to protect salmon runs and migrating waterfowl, and how to restore the fisheries of San Francisco Bay.

The result was the Bay Delta Protection Plan, acknowledged by California's governor as the state's equivalent to the Middle East peace accord.

As in New York and Florida, the need to comply with the federal conservation laws brought Californians to the bargaining table. However, once they sat down together, Californians discovered that those federal laws could be used as a stage for a far more imaginative and comprehensive plan than could ever be achieved by regulatory dictates imposed in the traditional manner by a dozen Federal and state agencies.

In every single city I visited last year, the communities showed me examples of a new, consensus-based style of environmental restoration. For many years these cities had been washed by the waters of dead lakes or scoured by the currents of polluted rivers.

But by 1995, two decades after enactment of federal conservation laws, the rivers that run through American cities --

whether Cleveland or Buffalo, Portland or Boston, Atlanta or Boise -- are running clean once more. On every urban waterfront, communities told me how they used conservation laws to bring back biological life, and, in the process, commercial life.

This link was something I had not expected to see. But there is was, in city after city, people and businesses drawn by the powerful magnet of clear, clean water. The communities showed me, in short, that as they used our laws to restore their waters, those waters, in turn, are restoring our communities.

To borrow the words of people I met in these cities: the Clean Water Act is the most effective urban renewal law in American history.

One would think that collectively these examples of local watershed restoration -- driven by strong federal environmental laws -- might cause the Republican leadership to reverse their assumptions. One would think that the broad, bipartisan, grassroots support of behind environmental laws might serve notice on the new majority that the American people will not tolerate the Congressional onslaught to weaken or abolish our them.

But as 1996 dawns, one opens the paper instead to find the new majority in the House still rushing to undermine the historic California watershed accord, still obsessed with tearing down the very laws that made that accord (along with those in New York and Florida) possible.

It appears the voices and access of industrial lobbyists are still as strong as ever. As a consequence, the only place in America where the community won't celebrate the restoration of their local watershed, the only place where the inhabitants don't want strong federal environmental laws is on Capitol Hill.

But whether Congress chooses to recognize it or not, America has entered a new, decentralized era of watershed restoration. Like past eras, this unfolding process is not easily reversed. For once people gather to eat, work and recreate on their local waterfront, it's hard to send them all back home. And once local communities learn to wield a federal conservation law like a powerful tool, it's impossible to pry that tool from their hands.



John C. Sawhill
President & Chief Executive Officer

International Headquarters
1815 North Lynn Street
Arlington, Virginia 22209

TEL 703 841-5300
FAX 703 841-1283

TO: Bruce Babbitt
FROM: John Sawhill

January 11, 1996

PROPOSED SUGGESTION FOR INCLUSION
IN THE STATE OF THE UNION ADDRESS

Proposal:

The Federal Government Should Provide Incentives for Private Landowners to Help Achieve Our Nation's Environmental Goals.

Discussion:

This proposal hits on the President's themes of protecting the environment from a hostile Congress, of finding ways to do this that are viewed positively by private landowners, and of devolution of authority and responsibility to local organizations and individuals. It parallels many of the proposals the Secretary has talked about for better implementing the Endangered Species Act, and could be targeted to help further Clean Water Act and Safe Drinking Water Act goals as well. The cooperation and initiative of private landowners is absolutely essential to meeting the nation's conservation goals, and this initiative speaks directly to those landowners.

Specifics:

1. Provide Estate Tax relief for landowners who donate conservation easements on their lands to national, state or local conservation groups.

Such relief is very important to the protection of wildlife habitats and high-quality watersheds from subdivision and development caused by the need of successors to pay large estate taxes. Senators Dole and Chafee have included a version of such estate tax relief in the rescission bill, but support for it is hampered by poor targeting mechanisms. These could be improved by introducing science tests.

- 2 -

2. Allow non-profit conservation organizations to issue tax-exempt bonds to fund the protection of environmentally sensitive lands.

This would decrease the cost of lands or conservation easements to local, state and national private conservation organizations, and enhance both private investment and, we believe, private donations to land conservation. There are more than 1,000 local and regional non-profit land trusts that have been formed in the United States to promote land conservation in their communities. This proposal, and the previous one, would give these organizations powerful new tools to succeed in their work.

3. Give a tax credit to private landowners equal to the funds they spend to enhance and maintain habitat for endangered wildlife and plants

Private lands include essential habitat for half or more of all the endangered species in the United States. While the Endangered Species Act limits the loss of this habitat, relatively little has been committed by the federal government to aid landowners who want to help protect and manage this land. This credit would provide an incentive for conservation work by landowners.

I would be delighted to discuss and elaborate on these points. I expect to be in the office on Friday (703/841-5330) or at home (202/338-4044) if the snow returns.

Original lb
to Jim D.
S

1118
Do not know where this came
from.

- ~~To Journal~~ ~~to handle~~

Dorskind ^{one} $\rightarrow$ card, note
w/ McGinty

S

• SAVE OUR OCEANS • SAVE OUR RAINFORESTS • SAVE OUR PLANET •



November 17, 1995

Mr. William Jefferson Clinton, President
United States of America
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear President Clinton:

It is a pleasure to have an opportunity to work with you on your portrait. In addition to painting, I am glad we have had an opportunity to talk about various issues. As I mentioned to you, one issue of great importance to me, and I know to many others in northern California, is the status of the Headwaters Forest. As you probably know, the Headwaters is the last remaining grove of virgin old-growth redwood in California that remains in private hands. The Headwaters has never been opened for logging, and includes trees well over a thousand years old.

Charles Hurwitz and Maxxam Corporation purchased the Headwaters Forest along with other assets through his junk bond takeover of Pacific Lumber in 1985. During the 1980's a federally insured savings and loan controlled by Hurwitz, went bankrupt and ended up costing the taxpayers \$1.6 billion to bail it out. It is my understanding from talking with my friends in northern California that the Federal Deposit Insurance Corporation has filed a suit against Mr. Hurwitz seeking \$250 million that he owes United States taxpayers. If the possibility arises that Mr. Hurwitz could pay off his debt by giving the Headwaters to United States taxpayers, then I hope you will consider such a solution. I think you understand the importance of preserving this redwood habitat for future generations.

I hope you do not mind my raising this issue with you, but it is a matter of deep concern to me.

Sincerely,


Peter Max



96 JAN 18 P5:36

THE WHITE HOUSE
WASHINGTON

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO:

MARY Dixon

Fax Number:

67311

Phone Number:

FROM:

SUBJECT:

SAMPLES

DATE:

1-18

NUMBER OF PAGES (including cover sheet):

3

MESSAGE:

96 JAN 18 P5:20

Smt

S.

If all pages are not received, please call 202/456-2702

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SAMPLE — BRIEFING PAPER
(Format)

THE WHITE HOUSE

WASHINGTON

DATE (centered)

MEETING WITH NAME OF INDIVIDUAL (centered)

DATE:

LOCATION:

TIME:

From: (Name of Senior Staff Person responsible
for meeting and person's signature/initials)

I. PURPOSE

State purpose of meeting. Paper should be written as if you were talking to the President – in 2nd person (i.e. "you will meet with . . .").

II. BACKGROUND

State relevant context in which meeting arises, issues of special concern to parties, as appropriate, previous participation, etc.

III. PARTICIPANTS

List all participants including White House Staff.

IV. PRESS PLAN

Specify press coverage, photo opportunity, no press coverage, etc.

V. SEQUENCE OF EVENTS

Outline meeting agenda and President's role using bullet points.

VI. REMARKS

To be provided by Speechwriters,
Talking points attached, or
None required

Attachment: Talking Points as appropriate

IMPORTANT NOTE: Briefing memoranda (with ⁸16 copies) must be delivered to the Staff Secretary by ~~3:00 p.m.~~ ^{4:30} the day before the scheduled meeting or event.)

THE WHITE HOUSE
WASHINGTON

February 24, 1993

MEETING WITH TOM LOFTUS

DATE: February 25, 1993
LOCATION: Oval Office
TIME: 3:15 pm
From: Marcia Hale *MH*


Sample

I. PURPOSE

Tom Loftus is in town as part of his "Kids Count" study and is stopping by to visit with you.

II. BACKGROUND

Tom is currently heading up the Wisconsin Council on Children and Families.

You should be aware that Tom has applied for an Ambassadorship to Norway. He has spoken to Bruce Lindsey about this. You should also be aware that the following people have also expressed interest in the same position.

Terry Dornbush, GA, Private Investor
William Ginsberg, NY, Pres. & CEO Cellular Comm.
James Hormel, CA, Chair Equidex
Michele Hunt
Gail Mattox
David Preus, MN
Bill Sheffield, AK State Director

III. PARTICIPANTS

President
Tom Loftus

IV. PRESS PLAN

White House photographer only.

V. SEQUENCE OF EVENTS

- ♦ Guest escorted into Oval Office
- ♦ Meeting and photo-op
- ♦ Guest escorted from Oval Office

VI. REMARKS

None required

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 1-18-96

TO: Ray Martinez

FROM: Staff Secretary

Please forward the attached
Presidential note to
Garry Mauro.

Thank you.

THE WHITE
HOUSE
WASHINGTON, D.C. 20503

cc: G. M. ...
We would be
glad to help
Bx

January 16, 1996

Frank S. Stephens, P.E.
10610 Hat Street
Houston, Texas 77099

Dear Frank:

Thanks for your very fine letter, which David Leopoulos passed along to me. Having just returned from visiting with our troops, I was especially pleased to get your kind words about my speech on Bosnia.

Thanks, too, for what you said about the budget issues. I'm confident we'll be able to achieve a balanced budget while protecting American values and growing the middle class.

Also, I wanted to say how glad I was to hear about your new job with Ford, Bacon & Davis. I hope it goes well for you. Please give my best to Carol.

Sincerely,

Bill Clinton

I'm so pleased
about you too -
Please keep in touch

FRANK S. STEPHENS P. E.
10610 Hat Street
Houston, Texas 77099

November 27, 1995

Honorable William J. Clinton
President of The United States
White House
Washington D. C. 20500-2000

Dear Bill:

I have not written to you since August. I just finished watching your speech to the American People conveying your plan to send American troops to Bosnia to insure the peaceful implementation of the Peace agreement. Your successful brokering of this agreement is remarkable considering the warring parties long-standing hostilities. Your speech was great! It was well conceived and delivered. You truly captured the essence of what it is to be the Leader of the greatest country in the world.

Your steadfast stand on your principles of helping people by standing up to the Republicans is paying good dividends. Public support appears to be swinging to your point of view. In my opinion the American people want to achieve a balanced budget. They, however, do not want to do it with a meat ax like the Republicans. If you concentrate on eliminating waste and fraud you can gain further support.

The fact that American business is systematically eliminating many middle class jobs by utilizing technology and cheap foreign labor is compounding your efforts to balance the budget and maintain sufficient safety nets. Some method needs to be devised to convince very profitable corporations that they do not need to continue to cut personnel because of greed or fashion. The principles that have made America great are that anyone can become President and most can rise to the level of the middle class. The middle class is being systematically eliminated. During your next term I hope that you can address this issue. I feel that it is the greatest long term threat to our diverse society.

I have accepted a position as Senior Project Manager for Ford, Bacon & Davis in Houston. I am no longer commuting to Lake Charles, Louisiana. This is a much better arrangement and Carol is glad that I am working closer to home. I would sure like to attend your next inauguration. Keep up the good work.

Your Friend,



Frank S. Stephens

from
High
School
FRIEND
Carol
TO
READ

WITHOUT
LAWYERS WEEKLY
YOU CAN'T AFFORD TO BE WITHOUT IT
(800) 635-LAWS

THE PRESIDENT HAS SEEN

1-18-96

Richard N. Goodwin
307 Main Street
Concord, MA. 01742

Handwritten: Meeting

Handwritten: 1 (11) Don 3/21/96
POTUS

TO: President Clinton

FROM: Dick Goodwin

I am sorry that my somewhat battered and highly medicated state made it difficult to make any substantial writing contribution to the State of the Union. However, I do have a thematic suggestion which may, I realize, come too late in the process.

Is there a way to sum up the most important need of the nation as we enter the Twenty-first Century? I suggest it is the need for some large, noble and mobilizing purpose. Over the last half century that purpose has been provided by depression, war, cold war, racial insurgency, etc. Now with no life-threatening foreign enemies and without a focused social or economic crisis, there is a sense of drift. This is so despite the fact that we have large and serious problems. The task of leadership now is to provide structure to these problems, thematic structure, that can be expressed in terms of a national purpose to, for example, (1) restore economic justice, so that working Americans can achieve economic security and a rising standard of living (2) build a stable and prospering world order, etc. Of course there are other components to national purpose. The important thing is to have a purpose, a theme and sense of direction to American life. It is what FDR provided with the Four Freedoms and Atlantic Charter, Kennedy with New Frontier, Johnson with Great Society, etc. These are concepts for a time that has passed. But the basic ideals which informed these efforts are as old as the nation and, in each generation, should be reformulated in terms suited to the needs and conditions of the day. We must find that renewed sense of large purpose for ourselves and our children.

Well, I could elaborate, but I do think the usefulness of this idea is that it speaks to a real need and to a real hunger on the part of most Americans.

Let me also thank you for your call to the hospital which was not only thoughtful but which undoubtedly raised the level of care and attention given to my case by a great deal. And my thanks also to Mrs. Clinton.

If I can be of any help to you in the months to come, please do not hesitate to call on me.

JIM DORSKIND:
Please coordinate
the reply.

Leon-Leslie Duncan

THE PRESIDENT HAS SEEN

1-18-96



January 17, 1996

MADELEINE MAY KUNIN

Dear Mr. President:

I would like to express my strong interest in having you as Ambassador to Switzerland.

I believe I could represent the United States with expertise and distinction. You may recall that I was born there and my mother and brother and I immigrated to the U.S. in 1940 because of the threat of World War II.

I still speak Swiss-German, French and German and believe I would be enthusiastically received by the Swiss.

Thank you kindly for your consideration.

With Best Regards,

Madeline

THE PRESIDENT HAS SEEN

1/8/96

CAPITAL SOUTH

Charles D. Ravenel
Chairman

Jan 2, 1996

Dear Mr. President,

Sorry Susan and I had to miss Renaissance and you this year. I'm glad you had the one day anyway.

Today's Times mentioned the difficulty of articulating "an overarching theme".

I would like to offer a shot at it, because the theme is already there. The challenge is its articulation.

The theme: Pragmatic, fiscally conservative growth advocacy

Growth — that simple notion is it. Personal growth, national growth, economic growth, leadership growth, technology growth, export/trade growth, spiritual growth, educational growth, etc on and on. The theme is growth (Steve Forbes is making hay with this, but it is and should be a Democratic issue)

You, and we Democrats stand for growth in human values and human opportunity.

Growth through the basic guiding value: a fair chance for every American to make it on his/her own.

Growth by providing opportunity in three principal areas:

Health
Education
Good jobs

More on this later -

I want to stick to my practice of one page only

Godspeed,

Capital South Corporation • P.O. Box 68 • Charleston, S.C. 29402 • 803-577-7236

762-6240

Pug

1/18/96

MEMORANDUM TO THE PRESIDENT

FROM: RBR *B.R.*

Re: State of the Union

Date: January 16, 1996

96 JAN 17 P2:23

*Burr / GS**we would need a lot
of their input, in class
forum → B.R.*

Your economic message should be upbeat, and embedded in a message about the values of hard work and family. But I strongly suggest that it also acknowledge the problems still faced by working people -- widening inequality, job insecurity, and median wages that have yet to accelerate along with the overall economy -- and that it outline our program for reversing these trends.

1. The problem is real, and the media are reflecting it.

Failure to directly acknowledge these problems risks making you seem out of touch with the daily reality faced by most people. That reality is getting increasing play in the press. US News devotes much of its current issue to income inequality and job insecurity (see attached, cover "Is the American Worker Getting Shafted?"). Within weeks, the New York Times begins a 7-part series on the same topic. Time is planning a major story. Last week's "60 Minutes" featured layoffs and job insecurity.

2. Your base is experiencing it the most.

My free-floating focus group across blue-collar and pink-collar America reflects even more anxiety than before. Every time a major company announces another mass layoff, a chill spreads through the living rooms of millions of Americans who are already carrying record installment debt. In December of 1995, American companies announced twice as many layoffs as they did in December of 1994. On the first business day of 1996, AT&T announced that it would shed 40,000 jobs (30,000 involuntarily). Again and again I hear concerns about the unfairness of it all: Notwithstanding a 30 percent increase in the value of the stock market and a 12 percent increase in executive salaries last year, median wages and benefits barely kept up with inflation. Low-level white-collar workers are beginning to share the same concerns.

*State of the Union**U.S.*

3. You should not take your base for granted.

Democrats lost races across America in November of 1994 because significant numbers of blue-collar voters deserted us and because large numbers of pink-collar voters sat on their hands. Our biggest defections were among voters who had lost the most ground economically.

Republicans know this. They also know that a key battleground will be the industrial mid-west. Bob Dole is already making speeches about the evils of "corporate welfare." Pat Buchanan now in Iowa seeking to register blue-collar Democrats for the Republican presidential primary by talking up the income gap and attacking global corporations, international trade, and Wall Street. Bill Weld gave a "state of the state" address last week, marking the beginning of his battle against John Kerry by calling for more "corporate responsibility" in responding to the anxieties of ordinary hard-working Americans, and more and better investments in education and job-training.

4. Suggest solutions which neither invoke class warfare nor blame business. No easy answers, but the solution doesn't lie in Republican trickle-down economics, nor in Buchanan-Perot nativism and protectionism. In the past three years you have put in place several foundation stones:

A. Half of the answer is more and better education and training (you know the litany). You should attack the Republican budget on this. Moreover, several Republicans (Weld and Buchanan, among others) are calling for precisely the same skill-grant system of job training that you have sponsored in the GI Bill. Ask for Republican support.

B. Twenty percent of the answer is a higher minimum wage along with your expanded EITC. The minimum wage remains extremely popular. February 3 marks one year since your proposed increase. Since then, a worker at the minimum wage has lost \$250 in purchasing power. Republicans refuse even to bring your proposal up for a vote. Challenge them to do so. And we know about their plans for the EITC.

C. That leaves thirty percent. You could talk about the progress we've made in providing pension security (my memo of December 18), and in providing one-stop re-employment services. You could talk about portability of pension and health benefits. But frankly, I don't think any of this will get through. It doesn't deal directly with the new reality that people feel -- that the implicit social contract between business and their employees has been breached. Profitable companies

are pushing down payrolls, slashing benefits, and laying off workers. Speak to this.

-- Challenge corporations to share the benefits of a newly-competitive economy with their employees by upgrading their skills, providing bonuses linked to performance, and, where downsizing is absolutely necessary, helping employees find new jobs paying as well.

-- Suggest that (in contrast to Republican proposals to eliminate the corporate Alternative Minimum Tax and to cut corporate capital gains taxes) corporate tax breaks be given only to companies that bring their workers along in these ways.

-- Say that in the months ahead you will be honoring those corporations that best exemplify a new model of responsibility, which treats workers as assets and as partners. You will begin tonight, by recognizing a few chief executives whom you have invited to town because of their high level of responsibility toward employees.

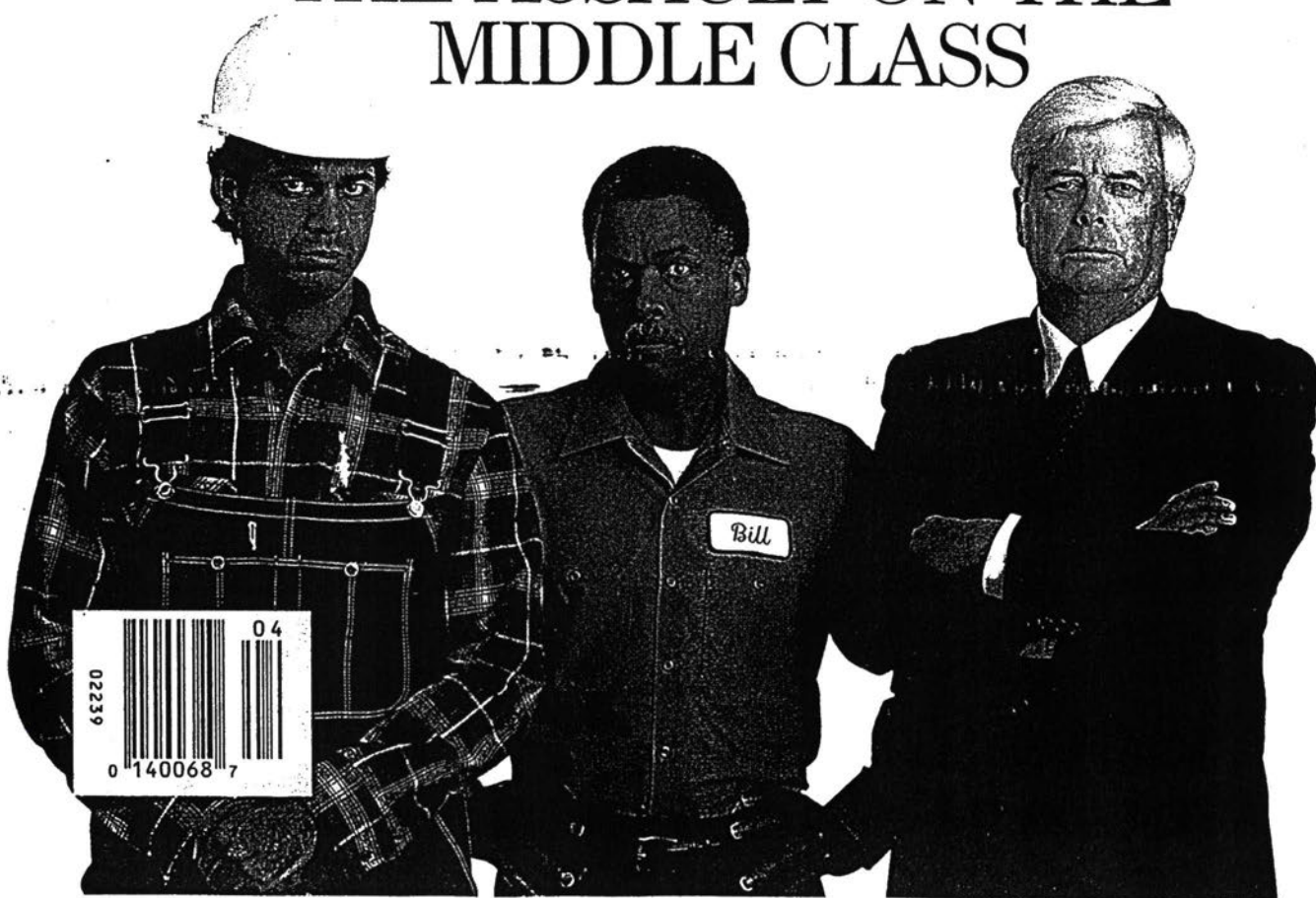
U.S. News & WORLD REPORT

JANUARY 22, 1996 / \$2.95

IS THE AMERICAN WORKER GETTING

Shafted?

THE ASSAULT ON THE MIDDLE CLASS



WORKERS TAKE IT ON THE CHIN

A changing economy is leaving many of them behind: the social and political fallout for '96 and beyond

Ken Bishop, a senior records clerk for AT&T in Morristown, N.J., may hold the key to the 1996 presidential election. He has endured two rounds of layoffs, commutes 110 miles a day, works two jobs—and yet his family income remains stuck at \$40,000 a year, right where it was 10 years ago. But 10 years ago he owned his own home. Now he rents, his wife works—two jobs at times—and he still owes money. So when AT&T said it would lay off another 40,000 workers, the 48-year-old Bishop snapped: “You stop and look at it and say, ‘When is all this going to end?’”

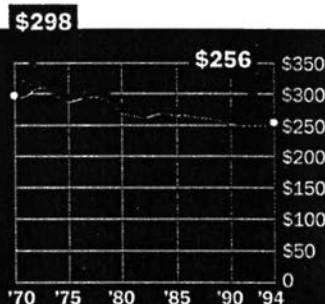
Many voters are asking the same question. Although corporate profits have fattened and the stock market has

soared, the average American family has not benefited from the boom. The gap between rich and poor is growing steadily, and people in the middle, like the Bishops, are going nowhere. Median household income has been flat for 20 years, and workers’ real weekly wages have dropped \$23 or almost 5 percent since 1979. In a new *U.S. News* poll, only 22 percent say the economy is expanding; 67 percent say it is stagnating or declining. “No matter what you do,” says Bishop, “you can’t get out of the hole.”

There are many economic reasons for the growing gap between the rich and everyone else (story, Page 47). But the political implications are clear: Asked to name the biggest problem facing the nation, 47 percent cited pocketbook issues, a jump of 21 points in only eight months. The message is strong and simple: “It’s still the economy, stupid.”

The message cuts across party lines. Republican pollster Ed Goetas, who conducted the *U.S. News* survey with Democrat Celinda Lake, says the wage issue “has the potential to blow through the roof.” Democratic consultant Stanley Greenberg told a recent forum on

SHARE ►
OF REAL
GROWTH IN
WEALTH
(1983-1989)



◀ REAL
AVERAGE
WEEKLY
EARNINGS
(IN 1982 DOLLARS)

PERCENT WHO SAY THE ECONOMY IS:

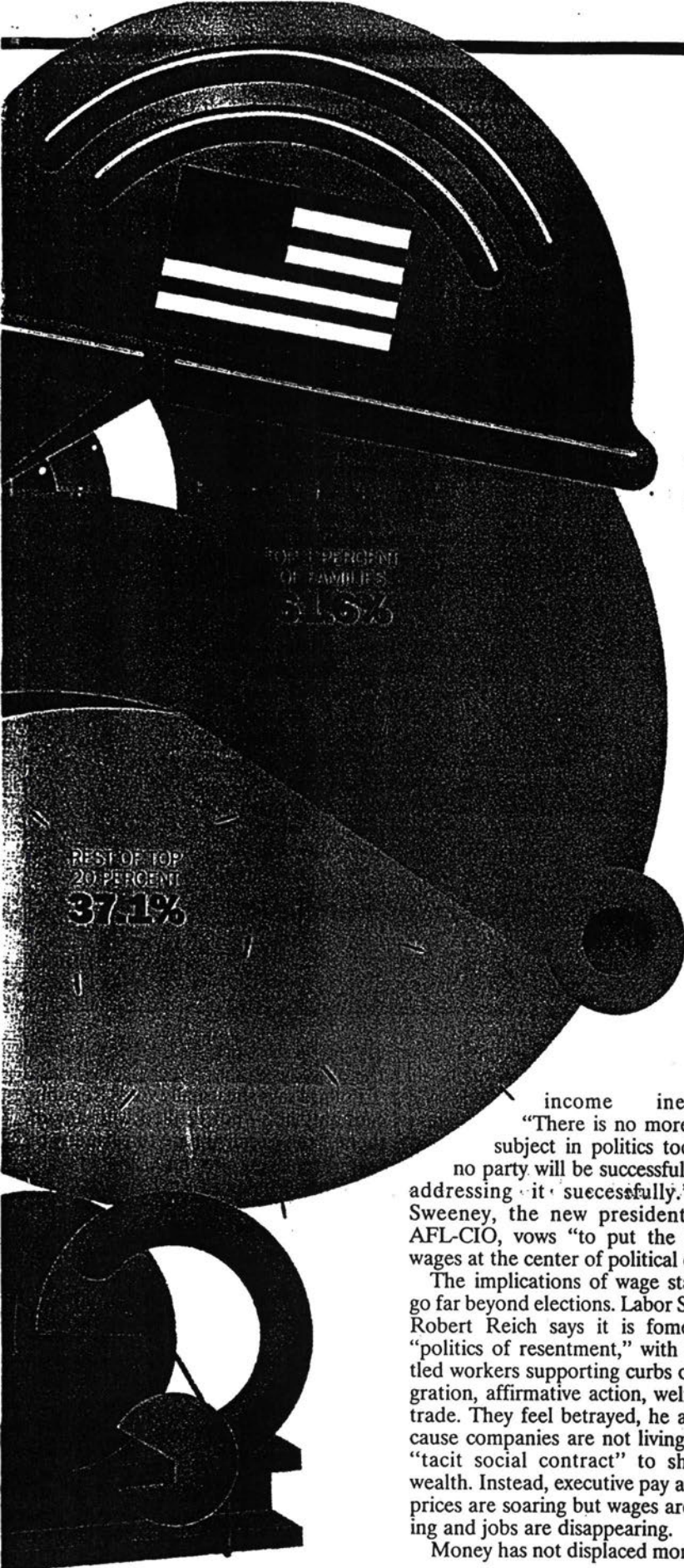
- Expanding _____
- Stagnating _____
- In a recession _____
- In a depression _____

WHO HAS GAINED THE MOST ECONOMICALLY IN THE LAST FIVE YEARS?

- The upper class _____
- The middle class _____
- The working class _____
- The lower class _____

U.S. News poll of 1,000 registered voters conducted by Celinda Lake of Lake Research and Ed Goetas of the Terrance Group January 4-6, 1996. Margin of error: Plus or minus 3.1 percent.

NOTE: Numbers may not total 100 percent because of rounding.



income inequality:
"There is no more central subject in politics today, and no party will be successful without addressing it successfully." John Sweeney, the new president of the AFL-CIO, vows "to put the issue of wages at the center of political debate."

The implications of wage stagnation go far beyond elections. Labor Secretary Robert Reich says it is fomenting a "politics of resentment," with disgruntled workers supporting curbs on immigration, affirmative action, welfare and trade. They feel betrayed, he adds, because companies are not living up to a "tacit social contract" to share the wealth. Instead, executive pay and stock prices are soaring but wages are slumping and jobs are disappearing.

Money has not displaced moral decay

as a political issue. Asked to choose the bigger problem—declining family values or making ends meet—49 percent picked family values and 31 percent named the family budget. But the two issues are closely connected, says Lake: "For many voters, it is economic stress that has fueled a decline in values. Parents must spend so much time fighting for economic survival that they cannot spend the time necessary to teach children values and to protect them from the chaos around them."

Spreading the blame. With the election 10 months away, the political landscape is still volatile. Voters gloomy about the economy voted 2 to 1 for Democrats in 1992 and then backed Republicans by the same ratio in 1994. Now, says Goeas, these voters "do not know where to turn." An increasing number don't think kindly of either major party. Asked whether Democrats or Republicans are most to blame "for the problems we are facing," 3 out of 5 voters said "both." And while 49 percent said government can do "a lot" to improve the nation's economy, 69 percent or more rated both President Clinton and the Republicans poor or fair on four important economic tasks: creating more jobs, promoting better-paying jobs, reducing the deficit and dealing with taxes.

This disillusionment has been compounded by the endless wrangling over the federal budget. "It looks like the politicians are fundamentally out of touch," says Lake. "They're worrying about keeping the Washington Monument open while AT&T is laying off thousands of workers."

But political leaders duck the wage issue in part because they have no solutions. Democrats talk about raising the minimum wage, spending more on education and job training, strengthening unions and making corporations more responsible. Republicans say lower taxes will increase family income while lower deficits and fewer regulations will free capital, spur investment and create jobs. Factions in both parties advocate more protectionist trade laws. But as Andy Kohut, head of the Pew Research Center, puts it: "This is not a quick-fix problem."

Still, the problem poses opportunities and dangers for both parties. James Carville, who advised Clinton to concentrate on the economy in 1992, says the combination of high profits and low wages is fertile ground for a populist Democratic message: "This is not the time to be the gun-control party or the abortion party. It's time to be the paycheck party."

But that won't be easy. The activist Republicans in Congress will share some responsibility for the current economic

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distemper, but the president ultimately has to run on his record, and that raises two questions. How can he identify with the problems of working families without admitting that he has failed to make their lives better? And how can he promise improvements without resorting to traditional Democratic themes of class warfare? "We won't be talking about soaking the rich or redistributing income, because everyone wants to be rich someday," says one White House adviser.

The missing link. Voters, however, say cutting taxes and balancing the budget would help their families more than anything else, and they have a point: A credible balanced-budget deal would reduce interest rates on home mortgages and consumer credit. Lower taxes and a balanced budget are GOP issues. But Goeas says party spokesmen such as House Speaker Newt Gingrich aren't delivering that message very well.

Republicans are still having trouble convincing Americans that balancing the budget in Washington will better the lives of real people beyond the beltway. "We have to draw the link on a much more personal basis, family by family," says Linda DiVall, a Republican pollster advising Sen. Phil Gramm, a candidate for the GOP presidential nomination. Adds Bill McInturff, who does surveys for Sen. Bob Dole, the Republican front-runner: "We have to say to people, 'Hey, we hear you, we share your fears and we know they're driving you crazy.'"

So far, however, neither Republicans nor Democrats have convinced Americans who are working harder just to stay even that they understand their plight. Kenneth Stroud of Park City, Ill., worked at a printing company in north Chicago for 19 years, eventually earning \$13 an hour. "That was fantastic," recalls Stroud, who earned a high school equivalency diploma in the Army. "I did a great job keeping up with the bills."

But the company closed in 1988, and, like many industrial workers Stroud found himself in a shrinking market. He put out 100 applications and got a job at a tool company. But it closed after three years, and Stroud went on welfare. "I had to keep something in my daughter's stomach," he says. Now he earns \$10 an hour at a company making business forms and moonlights at a bowling alley. His workweek averages 64 hours, down from about 80 hours last year, and Stroud is so strapped that he had to use some of what he had saved for Christmas to fix a toilet in his mobile home.

"I see factory jobs leaving the country because of NAFTA," says Stroud, who

WHAT ARE THE MOST IMPORTANT PROBLEMS FACING THE COUNTRY TODAY?

The budget (deficit/govt. spending)	24%
The economy	24%
Crime	20%
Jobs	8%
Taxes	5%

WHICH ISSUES ARE OF GREATER CONCERN TO VOTERS?

	1/93	8/94	1/96
Pocketbook	48%	35%	47%
Lifestyle	48%	76%	48%

WHAT CHANGES WOULD HELP AVERAGE FAMILIES THE MOST?

A middle-class tax cut	24%
A balanced federal budget	23%
Controlling health care costs	20%

HOW ARE NATIONAL LEADERS DOING IN HANDLING THE ECONOMY?

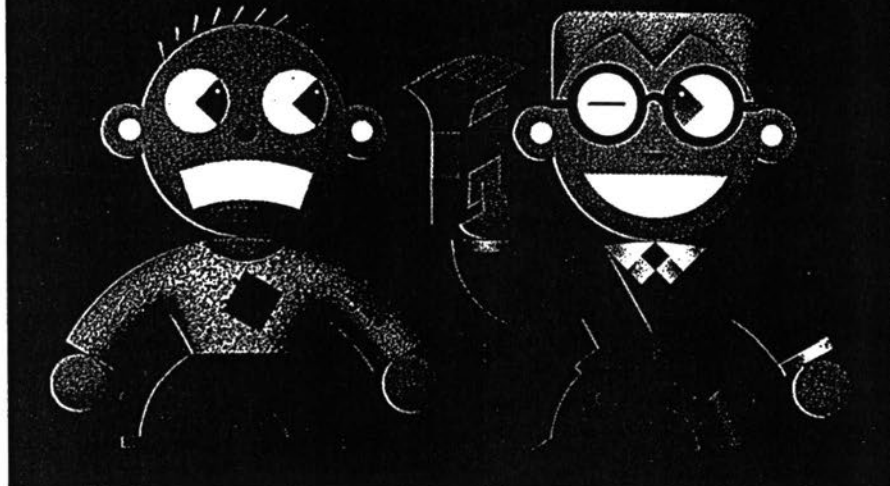
	Excellent/Good	Fair/Poor
President Clinton	28%	70%
Republicans	22%	74%

WHO IS MOST TO BLAME FOR THE COUNTRY'S PROBLEMS?

Republicans	18%
Democrats	19%
Both equally	60%

WHAT SHOULD BE THE MAIN GOAL OF THE PRESIDENT WE ELECT IN 1996?

Strengthening the economy	38%
Providing moral leadership	27%
Solving social problems like drugs and crime	19%



supports Ross Perot because the Texan opposed the agreement. "I think all these other companies are getting a big benefit from it. Now, how are we going to benefit?" He hasn't got much use for other national leaders: "They all say they're going to cut taxes, and until I see it, I don't believe it. Even Clinton said we're going to get a tax break, and what's happened? Nothing. If we've got to shut the government down, then obviously nothing's happening."

Two years ago, Cynthia Pollard was making \$40,000 a year selling computers. She wore suits and heels to work, lived in a tony Atlanta neighborhood and ate out often. Then the company closed its government division, and Pollard was laid off. Between jobs, without health insurance, she totaled her car and suffered a pinched nerve. Now she's a waitress at Zac's, a restaurant in Decatur, earning half her former salary, tak-

ing the bus to work, too exhausted from 14-hour days to think about going out.

Pollard says she usually votes Republican, but she's "not thrilled with any of them. I can't really relate to what any of them are saying anymore, and I've got too many problems of my own to worry much about it." Pollard rarely has time to read a newspaper or watch the news. "The only news that's important to me now is the weather. I find out every morning whether I can walk to work or not. I don't have patience for the rest of it."

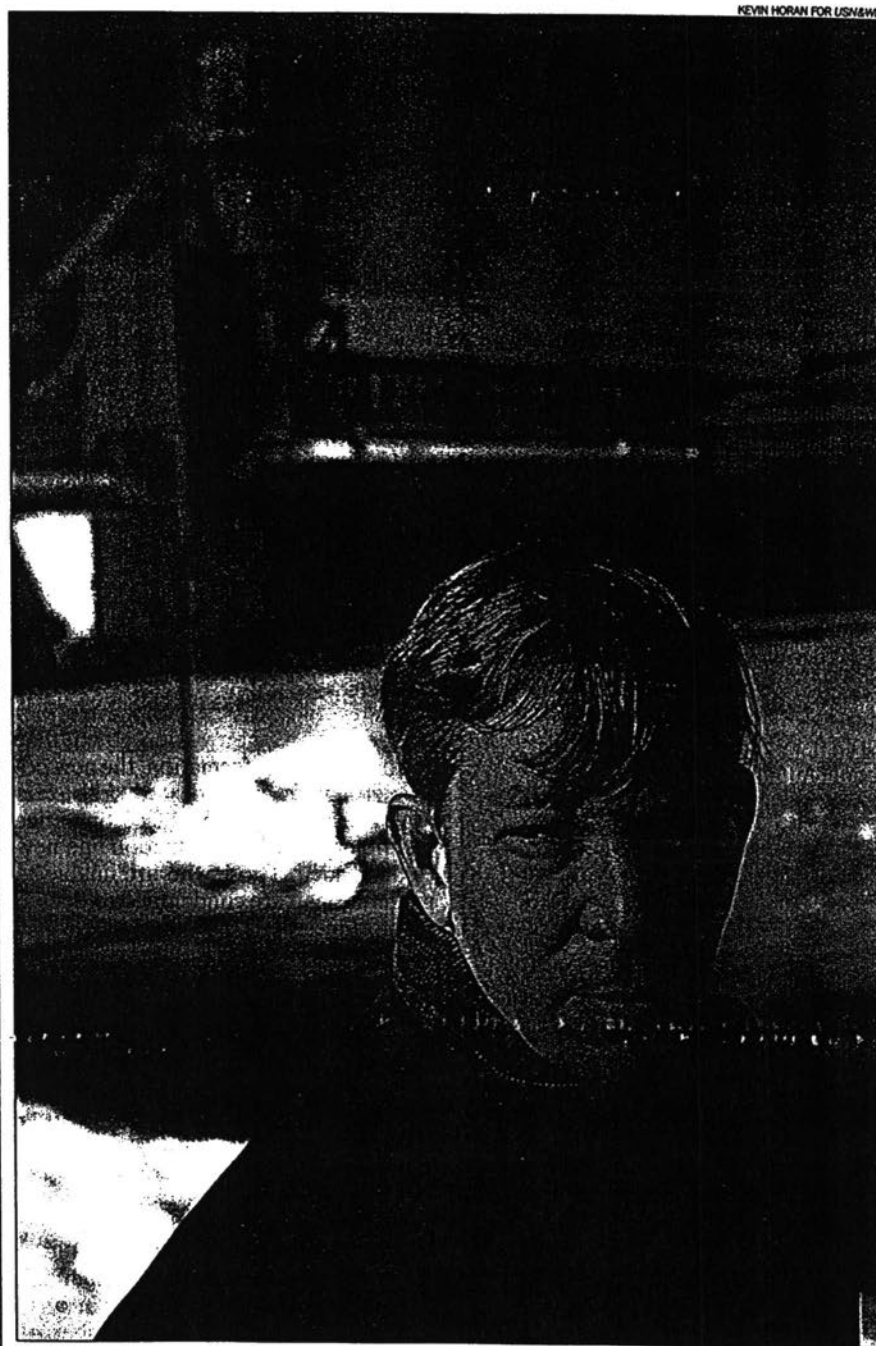
Countless Americans are like Pollard—exhausted, anxious, angry. Any party that wants their votes had better start understanding that working hard and going nowhere is threatening the American dream. ■

BY STEVEN V. ROBERTS WITH DORIAN FRIEDMAN,
JILL JORDAN SIEDER IN ATLANTA, DEBRA A. SCHWARTZ IN
CHICAGO AND JONATHAN SAPERS IN NEW YORK

WINTER OF DISCONTENT

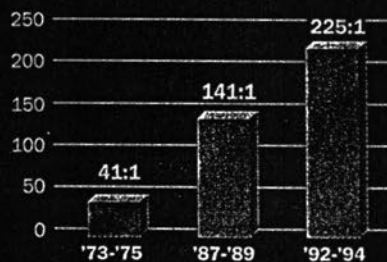
With wages frozen, American workers find themselves out in the cold

Michael Souza was a winner in the American industrial economy. After nearly two decades of factory work, he was making \$20 an hour as a tool-and-die maker for Northrop Corp. With that wage, Souza learned to enjoy the entitlements of the great American middle class: a three-bedroom home with a Jacuzzi in the Los Angeles suburb of Bellflower and a minivan. But in the nine months since Northrop laid off the 40-year-old Californian, Souza has spent much of his time at the Long Beach Career Transitions Center learning that in the new American economy, people like him aren't winning anymore. Good jobs that pay as well as the one he lost are in short sup-



KEVIN MORAN FOR USN&WR

Ratio of average CEO's salary to average American worker's



Note: Refers to CEOs of 10 large companies.

USN&WR--Basic data: Graef Crystal, The Crystal Report

USN&WR

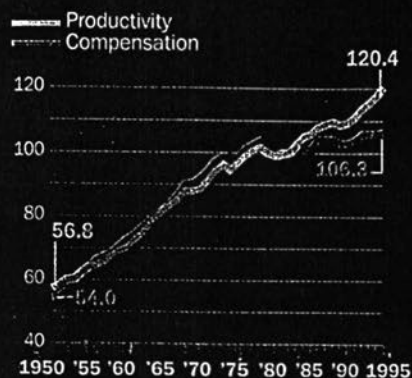
ply. Employers are offering \$6 or \$7 an hour for the work that is available. Now, Souza's unemployment insurance has run out, and if he doesn't start coming up with \$1,400 a month for his mortgage, he will lose his home. So he may have no choice but to swallow such a drastic pay cut. "It's hard to start all over at 40," he laments. "It isn't like I can just move back in with Mom and Dad."

Not everyone at Souza's former company is feeling the pinch. The earnings of Kent Kresa, chairman and CEO of Northrop Grumman Corp., rose to \$1.6 million in 1994, up from \$1.1 million the year before. Souza and Kresa sit on opposite sides of the growing chasm of income inequality in America. Fully three fifths of all households in 1994 did not even keep up with inflation relative to their

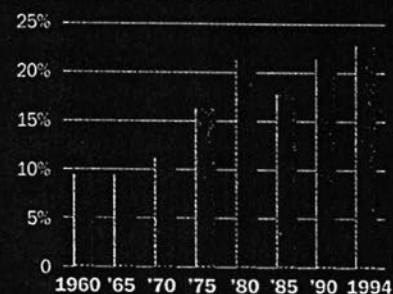
TRIMMING DOWN MANUFACTURING. After 16 years at Kmart subsidiary Huck Fixture in Quincy, Ill., Bob Ruff, 42, was laid off when the maker of Kmart's shelving and checkout counters was closed by its corporate parent.

WHAT'S BEHIND WAGE INEQUALITY

Indexed productivity and compensation (1982 equals 100)



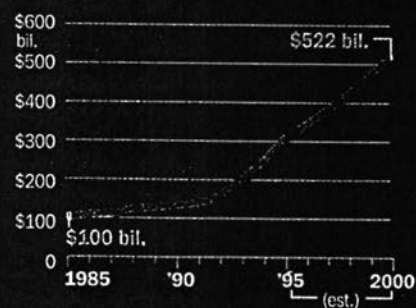
Total U.S. trade as a share of gross domestic product



Change in average earnings by education level (1979-1992)

	MEN	WOMEN
Didn't finish high school	-23%	-7%
High school graduate	-17%	1%
Some college	-7%	8%
College graduate	5%	19%

U.S. corporate outlays for high-tech equipment



USNSWR - Basic data: Morgan Stanley & Co.; U.S. Dept. of Labor; Merrill Lynch

USNSWR

1973 counterparts, while the top 5 percent were awarded a \$56,000 pay raise—even after adjusting for inflation—to \$183,000. "It gives lie to the idea that a rising tide lifts all boats," notes Stanford University economist Paul Krugman. This tide, it seems, raises only the yachts.

Big change. At the heart of the rise in inequality is an unprecedented revolution in the workplace, one of the great work force upheavals in this century—and unquestionably a painful one. Before the world wars, farmers were the largest single occupational group in America, accounting for about 50 percent of the population. Domestic servants were the second biggest group in the work force, and their number grew steadily until the First World War. By the 1950s, these occupations had shrunk dramatically, and industrial workers made up the largest category in the work force. This transformation was relatively painless because factory jobs were usually a step up in pay and working conditions for farmers and servants, who had the skills to take on the new positions.

Today, productive farmers make up no more than 2 percent of the work force, domestic servants are scarce and the number of industrial workers has declined to less than one fifth of the labor force, half the proportion of just a few decades ago. In their place has arisen what management expert Peter Drucker has termed "knowledge workers." Drucker predicts that by the year 2000 at least one third of the work force will fit in this category. Just as before, the new jobs offer economic improvement. But unlike the previous transformation, the new positions require sophisticated skills, creativity and a command of cutting-edge technology that the production line never demanded. Those who are unable to make the leap are condemned to declining fortunes while knowledge workers take on a growing share of income.

Richard Landman, a former retail salesman in Chicago, understands how difficult it is to upgrade careers. After leaving his sales position, Landman realized that he knew several people who were looking for employment in the computer industry. Working from his bedroom, he started a job-placement business and began making calls to secure high-tech posts for these individuals. Landman sweated through several lean months before receiving his first commission. The checks are now coming in fairly regularly, but it will take a number of months before Landman's income returns to what it was during his retail days.

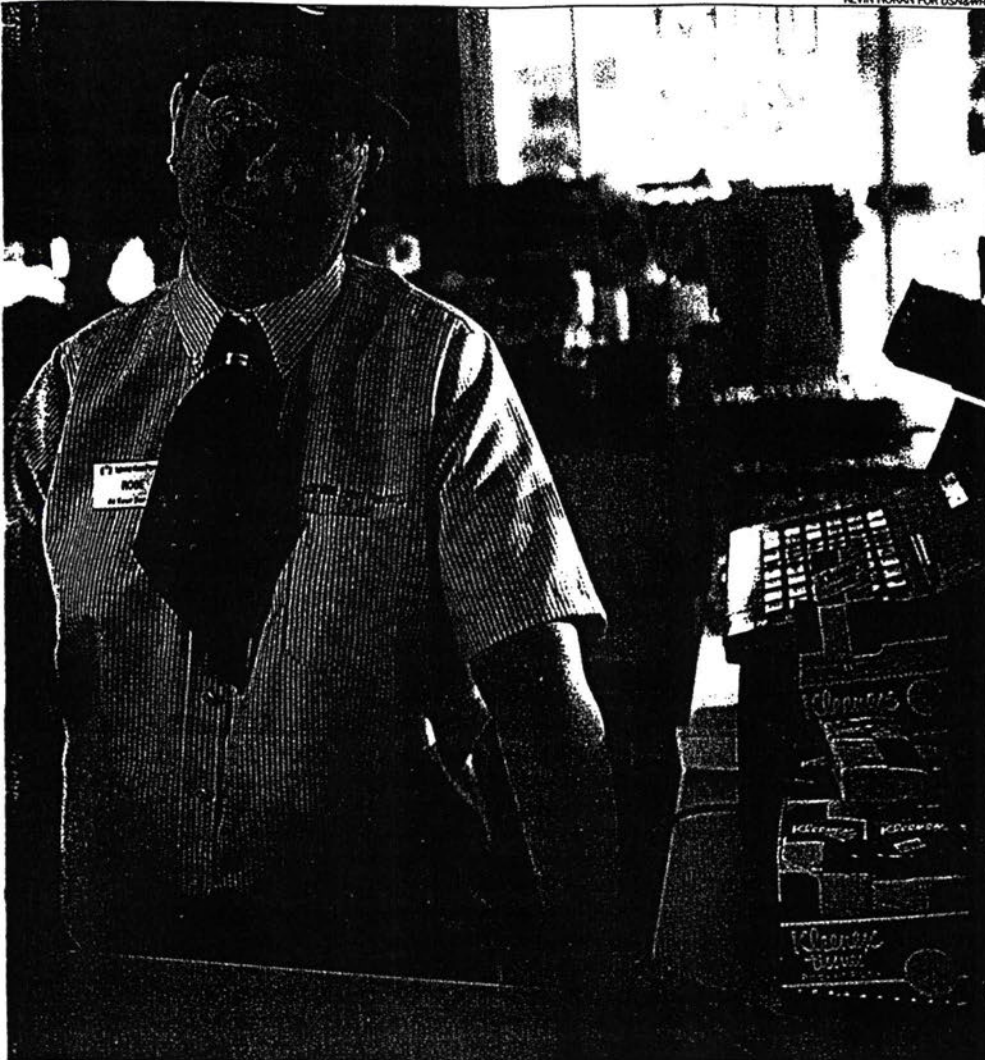
In addition to the shift in skills needed for the new knowledge-based work force, the income gap has widened be-



cause surging global trade has created an intensely competitive business environment. Education also plays a key role in determining income growth. Since 1979, for example, the only men who have made gains in weekly earnings as a group are college graduates.

Legions of ordinary Americans, left behind by the knowledge revolution, have not even made up the ground they lost in the 1990-91 recession. In 1994, only the richest fifth had recovered their post-1989 losses. In the 12 months ended Sept. 30, 1995, total compensation—which includes wages and benefits—grew at the slowest rate recorded since 1981, despite low unemployment, record corporate profits and rising productivity. Rose Pakis of Chicago, who makes less than \$15,000 a year working long hours in both a convenience store and a tavern, has a simple explanation for the problem. "Wages don't go up," remarks the 50-year-old Pakis, "but prices do."

The poor and the rich make up a growing share of U.S. families today. While



TRYING TO MAKE ENDS MEET. Rose Pakis of Chicago, 50, makes less than \$15,000 a year working behind the counter at the White Hen Pantry convenience store and at the Dram Shop tavern across the street, where she tends tables.

there were sharp increases in the percent of child-rearing families struggling on less than \$10,000 a year as well as the percent enjoying more than \$70,000 in the two decades after 1969, most income groups between those two extremes have shrunk. The number of those making between \$20,000 and \$40,000 in 1989 dollars fell from nearly half of all families with children to around a third. Economic polarization in the United States has reached levels not seen since the *Great Gatsby* era of the late 1920s. A new report by the Organization for Economic Cooperation and Development shows that America has the most unequal distribution of income among the advanced industrialized nations.

Wealth. The picture is even more stark when it comes to wealth—market-

able assets such as stocks, real estate and savings accounts—as opposed to annual income. According to New York University economics professor Edward Wolff, the share of total wealth held by the richest 1 percent of families nearly doubled between 1979 and 1992. Today, a full 42 percent of all marketable assets rest in the hands of a select group that holds a minimum of \$2.3 million per family. Meanwhile, the median family, with wealth of about \$52,000, inched up by less than 10 percent between 1979 and 1992. Middle-income Americans have most of their assets in their home and their savings, while the rich keep a higher percentage of their wealth in financial instruments such as stocks and bonds. Housing prices haven't kept pace with the torrid stock market, and the middle class has virtually stopped accumulating

savings. While the wealthy have been running up huge gains in the stock market, middle-income Americans have been running up credit-card debt to compensate for stagnating wages. Americans may still picture Britain as the epitome of the class-based society, but wealth is far more concentrated among the upper crust in the United States today than it is in the United Kingdom.

The spreading gap between rich and poor has reached the point where it is alarming leaders in the corporate world as well as in politics. "Even those of us in business can see that this can't be the right answer for this country, either socially or economically," says Steven Rattner, a managing director at the investment bank Lazard Frères. Stephen Roach, chief economist with Morgan Stanley, frets that the economic disparities will culminate in a "worker backlash."

The worst fear is that economic inequality is dividing the nation itself. In a December commencement address, Secretary of Labor Robert Reich warned graduates that the "secession of successful America" into a world where its inhabitants can live, work, play and move about with minimal contact with the less fortunate majority "threatens our nation's prosperity and stability." Reich added, "You won't want to live in a society sharply divided between winners and losers." Economist Krugman sees a psychological toll on those who measure their own achievements against the progress of those winners. "What it takes today to regard yourself as successful," explains Krugman, "is increasingly out of reach."

In the economic realm, Rattner and others worry that stagnating and declining real wages for the majority of Americans are eroding growth as consumers are forced to restrict their spending habits. That fear became reality for many of the nation's retailers this past Christmas as they tallied up one of their worst Decembers in recent memory. According to research by Salomon Brothers, 1995 ended with the weakest retail sales growth the firm has measured in a decade. Middle-income consumers have been building up debt loads for years on the assumption that the next raise would help pay down those obligations. Now they have stopped fooling themselves. Not surprisingly, stores catering to the wealthy escaped the Christmas blues. At Tiffa-

ny's, for instance, same-store sales were up 13 percent compared with those of December 1994. Meanwhile, middle-market department stores like Macy's, which have struggled for years, continue to face difficulties. And now retail troubles are spreading through the low-end discount market as Kmart, Ames and other value-oriented chains fight for survival.

How did we come to this great divide? How did the Ozzie-and-Harriet years—in which the poor, the middle class and the rich all advanced at more or less the same, brisk rate—slip away? In addition to the shift from a nation of factory workers to a nation of knowledge workers, Massachusetts Institute of Technology economist Frank Levy points to several key historical events that have undermined wages. The first is the 1973 oil-price increase by the Organization of Petroleum Exporting Countries, which ushered in a period of high inflation. Rising prices allowed employers to give raises that appeared to be growing but that actually were shrinking in real terms. At the same time, rising inflationary expectations led to unusually high interest rates, which prevented capital investment, a catalyst for rising productivity and wages. Higher interest rates in the late 1970s made the dollar stronger and imports cheaper. This introduced U.S. manufacturing workers to the harsh reality of foreign competition. Much of this competition came from Germany and Japan, as well as from other high-wage industrialized nations that were able to ship autos, steel and machine

tools into the United States, displacing many American workers.

Squeeze. Since then, the competitive squeeze has spread well beyond factory workers exposed to the pressures of international trade; today, virtually every sector of the American economy is in a vise because of commercial rivalries around the globe. The result is a huge wave of downsizings and unrelenting job insecurity that persist more than four years into the expansion. Last year, U.S. corporations announced nearly a half-

million layoffs. Deregulation and technological changes have heated up domestic competition in many industries. In banking, this has spurred a wave of mergers. The recent combination of Chemical Bank and Chase Manhattan, for example, is expected to lead to the elimination of 12,000 out of 75,000 jobs. Some 70,000 positions have been cut from the banking industry over the past five years, but a study by Deloitte & Touche predicts that 450,000 more banking employees will lose their jobs in

LAYOFFS. Since she was caught in a corporate downsizing at Thrifty Drug Stores in Los Angeles, Mimi Young, 68, says that all she has been offered after more than a year of looking are menial jobs at half the salary she earned during her 18-plus years at Thrifty.

GROWING INCOME INEQUALITY

Share of net worth held by top 1 percent of households



Note: Figures are adjusted for inflation unless otherwise noted.

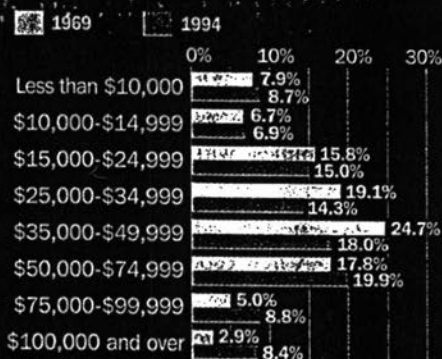
Changes in average family income (1977-1992)

Poorest fifth	-17%
Next poorest fifth	-7%
Middle fifth	1%
Next richest fifth	6%
Richest fifth	28%
Top 1%	91%

Changes in average household incomes (in 1994 dollars)

	1973	1994
Poorest fifth	\$7,981	\$7,762
Next poorest fifth	\$19,988	\$19,224
Middle fifth	\$32,661	\$32,385
Next richest fifth	\$46,953	\$50,395
Richest fifth	\$83,271	\$105,945

Percentage of families at various incomes

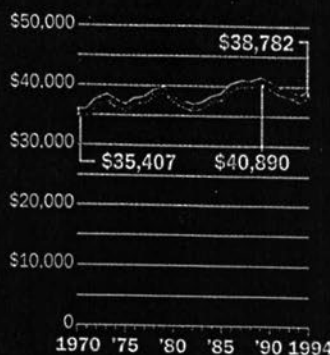


USN&WR—Basic data: Center on Budget and Policy Priorities; Congressional Budget Office; U.S. Department of Commerce; Prof. Edward N. Wolff, New York University

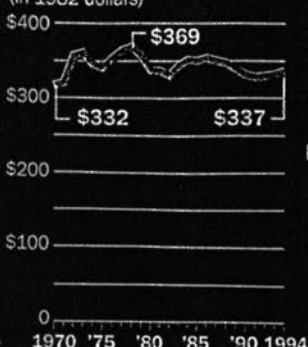
WORKERS' WOES: WEAK INCOME AND JOB INSECURITY

USN&WR

Real median family income (in 1994 dollars)



Real weekly earnings in manufacturing (in 1982 dollars)



Professions from which the top 1 percent of wage earners derive their income



Largest layoff announcements (1993-1996)

COMPANY	DATE	LAYOFFS
IBM	July 1993	63,000
Sears Roebuck	Jan. 1993	50,000
AT&T	Jan. 1996	40,000
Boeing	Feb. 1993	28,000
Digital Equipment	May 1994	20,000
GTE	Jan. 1994	17,000
Nynex	Jan. 1994	16,800
AT&T	Feb. 1994	15,000
Delta Airlines	April 1994	15,000
Lockheed Martin	May 1995	15,000

USN&WR—Basic data: U.S. Dept. of Commerce; Congressional Budget Office; WEFA Group; Challenger, Gray & Christmas Inc.; Robert H. Frank and Philip J. Cook

the next decade: In telecommunications, AT&T announced this month that it will slice 40,000 positions over the next three years; over 140,000 phone jobs have been lost since 1993, and tens of thousands more layoffs are expected in the industry. And where downsizings are the norm, wages rise slowly, in part because workers are too fearful of losing their jobs to demand more money.

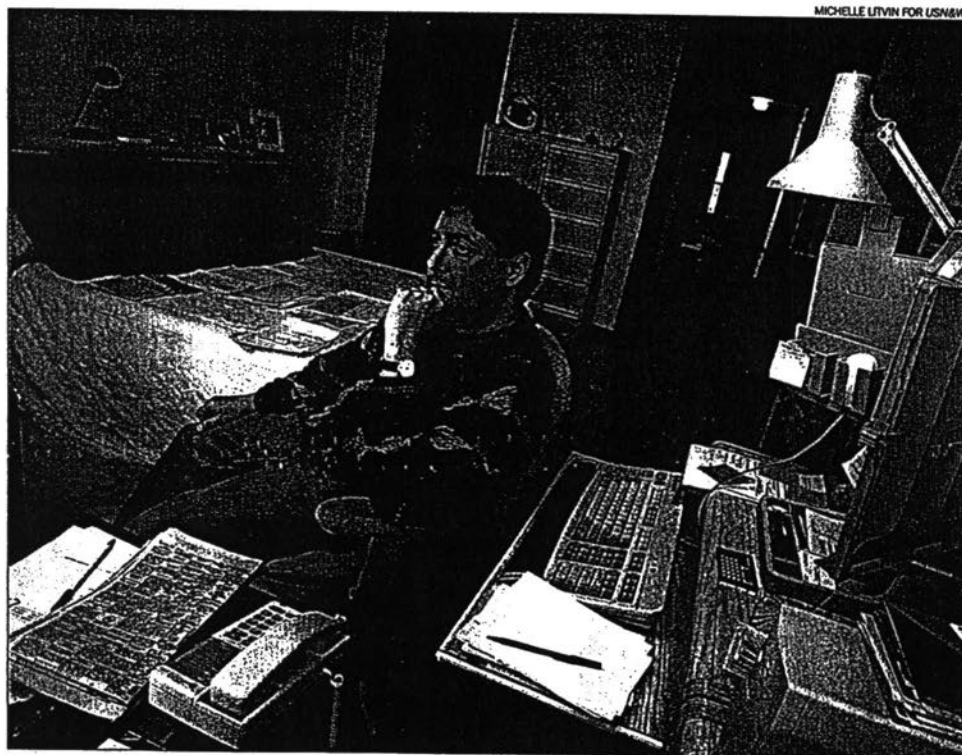
Fierce competition also is forcing radical restructuring in the retail industry. Last year, retailers across the country announced 43,000 layoffs. Bob Ruff received one of those pink slips. The 42-year-old Ruff had spent 16 years working for Kmart subsidiary Huck Fixture Co. in Quincy, Ill., when the maker of Kmart's shelving and checkout counters was shuttered by its financially beleaguered corporate parent. Ruff is now studying heating, ventilation and refrigeration. But he is not likely to return to the \$13.74 an hour he was earning as a unionized carpenter for Kmart. Mimi Young of Los Angeles is facing a steep wage cut as well. Since she was caught in a corporate downsizing at Thrifty Drug Stores, the 68-year-old administrative assistant says that all she has been offered after more than a year of looking is menial jobs at half the salary she earned during her 18-plus years at Thrifty. In a nation where work, job title and position are highly valued—and the question, "What do you do for a living?" is constantly asked—unemployment places a heavy psychological burden on those who cannot find a job. Diminished sense of

self-worth and self-esteem frequently accompany joblessness.

In the 1990s, misfortune has climbed up the ladder from production workers and secretaries to middle managers, who have been caught in the nation's first-ever white-collar recession as corporations move toward flatter organizations. The stress, pain and anxiety has been especially acute for white-collar workers, who tend to be older males with major family and financial responsibilities like mortgages and college-tu-

ition payments. In three years, the average income for college educated men ages 45 to 54 has fallen 10 percent. This helps explain why even those with above-average incomes—but below the richest fifth—haven't recovered from the last recession.

Paul Lundberg knows that the troubles for middle managers did not end with the downturn. In April 1994, his employer of 22 years, Chicago & Northwestern Railroad, was bought out by Union Pacific Corp. The new owner



STRIVING TO BECOME A KNOWLEDGE WORKER. After leaving his retail position, Richard Landman started a job-placement business for people who want positions in the computer industry. Landman struggled for several months before receiving a check.

gave Lundberg the option of trading his senior vice president position in Chicago for a lower-level post in Omaha or joining the unemployment lines. Lundberg has been out of work ever since. After playing a role in bringing his company to profitability, complains the former railroad executive, "you feel like a victim of your own success." Stuart Wegener of Gainesville, Fla., has been forced to make economic sacrifices, too. A senior staffer in nonprofit fund-raising and development, Wegener left his position in Illinois in 1994 to follow his wife in search of career advancement. After 10 months of unemployment, he finally found a position but had to take a 35 percent pay cut.

Scars. Even those who survive downsizings are scarred by the process. Joyce Colbert-Jones, for example, has managed to evade layoffs at AT&T for 14 years. She even requested and received a transfer once—from Florida to Atlanta—because she thought her Florida office might close. "It's really a duck-and-dodge game," explains Colbert-Jones. The network services employee and her husband, also with AT&T, now are exploring second careers so they will be prepared should they lose their jobs in future restructurings.

New era. As corporations use fewer and fewer workers to produce their revenues, labor productivity has finally been revived. Unfortunately, however, the robust wage growth of the 1950s and '60s has not returned as a result. "Economic theory tells us that ultimately workers are

paid their just reward," explains Morgan Stanley's Roach. "In the '90s, that has not been the case." Instead, productivity gains of roughly 2 percent a year in the first half of the decade—which should have led to equally large real income gains—have been accompanied by meager compensation growth of just 0.6 percent so far. Says Lawrence Perlman, chairman and CEO of Ceridian Corp., a \$1.5 billion Minneapolis-based information-services company: "There has been an extraordinary decoupling between productivity growth and compensation

growth." Roach calls this phenomenon "the dark side of the productivity-led recovery." Instead of plowing their massive profits back into wage increases, corporations are building large cash reserves and spending even more on productivity-enhancing equipment such as computers and the latest software.

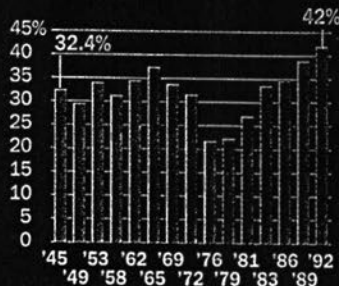
One reason that managers feel little compulsion to pour profits back into people is the waning influence of unions. Organized labor's ability to push for higher wages has been sliding rapidly, and the movement's efforts have shifted toward preserving jobs. At Boeing, union members recently rejected a proposed contract even though their leadership had accepted it, in large part because they were holding out for concessions that might help preserve their jobs. "It wasn't about cash dollars; it was about job security," explains Stephen Price, who manned the picket lines in Wichita, Kan., from 4 a.m. to 7 a.m. for 10 weeks. When Boeing's management came back with a contract including a job-retraining and re-assignment program, the union voted to return to work. With corporate loyalty diminishing



JOB ANXIETY. Stephen Price, a 38-year-old Boeing worker, manned the picket lines in Kansas during a recent strike. "It wasn't about cash dollars," explains Price. "It was about job security." When Boeing offered a contract with job retraining, the strike ended.

WHERE WEALTH IS CONCENTRATED

Share of wealth held by the top 1 percent of families

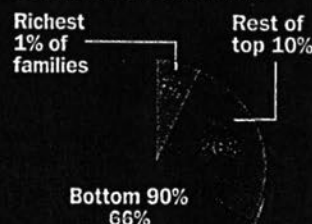


US&WR--Basic data: Prof. Edward N. Wolff, New York University

Share of stock in public companies held by individuals (1989)



Share of residential real estate (primary dwellings) held by individuals (1989)



US&WR

BUSINESS & TECHNOLOGY

and job changes increasing, workers like Price have put a premium on gaining the right employment skills for the future—on remaining employable.

It would be overstating the case, however, to say that the corporate sector has single-handedly created an environment in which half the nation is permanently locked into a declining standard of living. Some analysts argue, for example, that government statistics may understate income gains by overstating inflation and that current wealth data have limits. Other experts note that a higher quality of goods has led to an improved standard of living for many workers. Wage improvements, add a handful of economists, also may arrive in the near future if the divergence between productivity and pay is a temporary, rather than a structural, problem. And just because one income group is losing ground does not necessarily mean that any individual in that group cannot move into higher income categories. Nor can all of the rise in inequality be attributed to changes in the realm of business. Demographics, particularly the rise in single-parent families, has played a big role in the growth of poor families. The proportion of children living in mother-only families has grown from 8 percent in 1960 to 22 percent today, and single-parents account for half of all families earning less than \$10,000 a year.

Regardless of these issues, the rise in income inequality remains unmistakable. Even within the better-off half of working Americans, the spoils of success are concentrated on a surprisingly small group. Of all the income gains made from 1977 to 1990, 79 percent fell into the pockets of the top 1 percent of families, a group that this year is expected to earn an average of \$438,000. And within that top 1 percent, inequality also is growing because the top tenth of 1 percent appears to be getting the lion's share of the economic rewards.

Although educational differences account for some of the growth in top-level inequality, two thirds of the gap has de-

veloped within groups that have similar qualifications or jobs. The most successful college graduates, for example, are pulling away from more-typical degree-holders. High-powered lawyers are garnering incomes far above those of ordinary attorneys. Among executives, the spread between the earnings of CEOs and their seconds in command has nearly doubled in just a decade. "Corporate America is moving toward a much more capitalistic environment, with less security and less uniformity of compensation," explains Marshall Goldsmith, a consultant to *Fortune* 500 companies. "It's now much more [important to] attract and

creasing share of those dollars is concentrated on a few tax-software companies. Likewise, corporate dollars that used to be spread among hordes of telephone receptionists are now funneled to the leading national providers of voice mail. In such an environment, the best performers hit the jackpot and the rest will be lucky to break even.

Free agents. Leverage alone, however, would not create superstar salaries if the employees who most influence the success of companies were not paid according to their contribution. To describe this second step, Cook and Frank borrow a term from sports: free agency.

They believe that this phenomenon has developed in many parts of the economy, in executive suites as well as in stadiums. Corporate CEOs, who once worked their way up the ladder, for example, now regularly jump from one company to another. Cook and Frank estimate that the number of CEOs who joined their present firms within the past three years has leapt 50 percent since the mid-1970s. In that time, the ratio between the pay of CEOs and average American workers has risen from 41 to 1 to 225 to 1, according to executive compensation expert Graef Crystal. In Germany, where CEOs are almost always promoted from within the corporation, the ratio is closer to 20 to 1.

The gains of the rich cannot be completely

separated from the travails of the middle class and the poor. They are part of the same trend. To some extent, increases at the top are coming at the expense of ordinary workers. Economists are hesitant to treat income as a purely zero-sum game, since it is possible for all to prosper or perish together. But, says Frank, "if you need to pay your top talent premium rates to keep them from going to the competition, it means you've got to keep the margins tight everywhere else." That means millions of American workers will need to keep their belts tight for years to come. ■

BY DON L. BOROUGHS WITH MONIKA GUTTMAN IN LOS ANGELES, MARIA MALLORY IN ATLANTA, SCOTT McMURRAY IN CHICAGO AND DAVID FISCHER



WAGE LOSS. A senior staffer in nonprofit fund-raising, Stuart Wegener moved from Illinois to Florida in search of advancement. After 10 months, he found a job but took a 35 percent pay cut.

retain the stars. This can and will worsen income and wealth disparity."

Economists have struggled to come up with a comprehensive explanation for this within-group inequality. The latest practitioners who have tried to solve the riddle are Robert Frank of Cornell University and Philip Cook of Duke University, authors of the recently published *The Winner-Take-All Society*. Frank and Cook explain the rise of an income elite in two stages. First, winners in the economy have increased their leverage, attracting more and more dollars by the work they do. Technology accounts for much of this development. The nation's tax-preparation dollars, for example, used to be distributed fairly widely among local accountants; today, an in-

From: Michael Waldman

Bull

Sum of

This is very good
and nonconformist
than I have
seen

THE PRESIDENT HAS SEEN

1/18/96

cc
~~Not~~

cc Don -
We need to keep
let's all work
help to do
thank
you

THE PRESIDENT HAS SEEN

1/18/96

ARTHUR SCHLESINGER, JR

Box 540 CUNY

96 JAN 17 33 West 42nd Street

New York, NY 10036

8 January 1996

I regret to say that I have not come up with any very brilliant proposals for the State of the Union address. It is hard to get a sense of the problems and pressures when one is distant from the process.

I do think, as I wrote Donald Baer a year ago in response to a similar request, that the President might do something to present the current disquietudes in their historical context. There is no doubt that the middle class is angry, less angry perhaps than last year, but still worried and frustrated. They were mad at President Bush in 1992 and beat him. They were mad at President Clinton in 1994 and humiliated him. Now they are mad at Gingrich too. What they need is an interpretation of their anger, an explanation of their predicament.

A lot of the current anger is focussed on 'big government.' But I think that big government is more the scapegoat than the cause. People are mad at big government because big government has not solved their problems; and these are problems generated not by government but by something much deeper -- by the massive structural shift from an industrial economy to an economy based on the microchip.

We are living today through the most profound structural change since the shift from a farm-based to a factory-based economy that we call the Industrial Revolution. But the Industrial Revolution was

less traumatic. It was spread over a couple of generations, thereby allowing more time for adjustment, and it produced more employment than disemployment. The Microchip Revolution is far swifter and more compressed -- new 'generations' of computers every couple of months - and it seems likely to produce more disemployment than employment.

Like the Industrial Revolution, the Microchip Revolution brings dislocation, apprehension and foreboding in its wake. People are frightened of the future, and understandably so. The new age calls for new knowledge and new skills -- knowledge and skills not easily attainable by the middle-aged who have to ask their children how to operate the VCR. Losing jobs under the euphemism of 'downsizing,' they are cast adrift in an economic world they no longer comprehend. As Felix Rohatyn puts it, "Hundreds of thousands of people have been laid off by companies going through restructurings, while technology and competition have kept average incomes from rising.... What occurred was a huge transfer of wealth from lower skilled middle-class American workers to the owners of capital assets and to a new technological aristocracy." No wonder there is panic in the suburbs.

All this suggests some possible themes:

-- we must recognize the deep-running and irreversible structural changes that are giving rise to the present frustration, fear and anger; and we must act to cushion the transition into what can be a most exciting and productive future;

-- we must outgrow the illusion that we can solve our problems by turning them over to the marketplace and thinking they will solve themselves. The anti-government crusade is ultimately self-defeating. Most of the problems that bedevil the nation -- the decay in

education, in infrastructure, in health care, in law and order, in race relations, in urban living, in environmental protection -- call for an increase, not a reduction, in public action. The uncontrolled market has conspicuously failed to protect living standards during this time of anguishing transition.

-- we must also outgrow the illusion that power taken away from government falls to the people; much of it falls rather to corporations not accountable (as government is) to the people. You can confound the Republicans by quoting Theodore Roosevelt on this point.

-- the Microchip Revolution calls on us all to reason and work together to meet unprecedented challenges. As we do this, we can enter with confidence into a new epoch of unparalleled abundance, opportunity and hope. Finish on a ringing note of optimism.

Anyway, best of luck!

Sincerely yours,

Arthur Schlesinger Jr.

from the office of

Senator Edward M. Kennedy of Massachusetts

SENATOR KENNEDY URGES CORPORATE CEO'S TO SHARE THE SACRIFICE REQUIRED TO REACH A BALANCED BUDGET

For Immediate Release:
December 19, 1995

Contact: Jim Manley
(202) 224-2633

Responding today to advertisements placed in the New York Times and the Washington Post by leading corporate executives on the budget crisis, Senator Edward M. Kennedy (D-MA) today called on the executives to agree that tax subsidies for wealthy individuals and corporations should bear their fair share of the reductions needed to reach a balanced budget.

A copy of the letter is enclosed:

THE PRESIDENT HAS SEEN
1/18/96

Leon
Let's discuss
Be

Be - State of the Union
Balance The Budgets
"frame"

United States Senate

WASHINGTON, DC 20510-2101

December 19, 1995

Mr. Paul Allaire
Chairman and CEO
Xerox Corporation

Mr. Jon Corzine
Chairman and Senior Partner
Goldman, Sachs & Co.

Mr. M.R. Greenberg
Chairman and CEO
American International Group, Inc.

Mr. Richard H. Jenrette
Chairman and CEO
The Equitable Companies, Incorporated

Mr. Peter G. Peterson
Chairman, The Blackstone Group
President, The Concord Coalition

Mr. John Snow
Chairman and CEO, CSX Corporation
Chairman, The Business Roundtable

Dear Sirs:

I welcome and agree with the message in your two-page advertisement in the New York Times and the Washington Post this morning that America should live within its means and achieve a balanced budget. The issue is not whether we achieve a balanced budget, but how to do it in a way that assures that the sacrifices as well as the benefits of reaching a balanced budget are fairly shared among all Americans. I hope you agree that equal sacrifice is the heart of a fair balanced budget.

The original Republican budget plan was properly vetoed by President Clinton last week, because it failed to meet this test. It inflicted deep cuts in Medicare, Medicaid, education, the environment, and other important national priorities, and it included large tax breaks for wealthy individuals and corporations. Half of all the spending cuts in the Republican plan came from the bottom 20% of families in America, while only 9% of the cuts came from the top 20% of families in

America. Two-thirds of the tax breaks in the Republican plan go to this same top 20% of Americans, while the bottom 20% would face a tax increase. The middle 60% of Americans would also be hit unfairly. They would lose an average of \$600 each because of the spending cuts, and get back only a third of that amount in tax reductions. These are conservative distributional estimates, and they plainly demonstrate the unequal sacrifices and unequal benefits contained in the Republican plan.

You say that every form of spending should be on the table, "including long term entitlement programs." I agree. By the year 2002 the largest of all entitlement programs will be the tax entitlements. Between now and the year 2002, the federal government will spend over \$4 trillion in tax loopholes and tax preferences which go disproportionately to wealthy individuals and corporations. In 2002, these tax entitlements will represent a larger share of the budget than Social Security, Medicare, Medicaid, or any of the other entitlement programs. But so far, out of the \$4 trillion of tax entitlements, the Republicans are willing to cut only \$16 billion.

Surely, if elderly couples depending on Medicare and having an average income of less than \$17,000 a year would be required by the Republican plan to pay an additional \$2,500 in Medicare premiums to balance the budget over the next seven years, corporations can be asked to contribute their fair share. If four million children would lose their health care and five million senior citizens and disabled Americans would lose their Medicaid protection to balance the budget, corporations can be asked to bear their fair share. Surely, if education funding would be cut by 30% and millions of college students would have the cost of their student loans increased to a point where they may no longer be able to afford college, corporations can be asked to bear their fair share.

If you are truly interested in balancing the budget, I hope you will agree that corporations should bear their fair share of the cuts, along with working Americans, senior citizens, children, and students.

I make the following proposal. The Republican plan would provide a reduction of 17% in the federal budget over the next seven years, exclusive of defense spending and Social Security. Reducing the \$4 trillion in tax subsidies by 17% would achieve savings of \$680 billion. If we applied the 17% reduction to only one-quarter of the tax expenditures, we would save \$170 billion -- more than enough to provide the additional savings needed in the current impasse to balance the budget fairly in seven years. Surely it makes sense to reduce corporate subsidies by a similar percentage as programs that benefit working Americans and the poor are being cut.

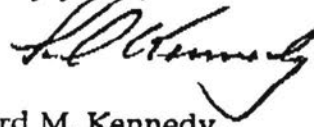
Or, a number of specific corporate loopholes that are contrary to sensible national policy could be eliminated entirely to achieve the needed savings. It would

make sense under this approach to focus specifically on tax subsidies that have the direct or indirect affect of encouraging American businesses to move transactions and jobs overseas. It is particularly offensive, at a time when large numbers of American workers are losing their jobs and being dislocated by changes in the economy, that the tax code is subsidizing corporations to move transactions and jobs overseas.

I urge you to appoint a task force of CEOs to put together a proposal by which tax entitlements would bear their fair share of needed budget reductions. I am ready to meet with this task force at any time to discuss your proposals. If you took this step, the balanced budget which we all support would be within our grasp almost immediately. Most importantly, the balanced budget would be achieved with equal sacrifice from all Americans, without destructive cuts to Medicare, Medicaid, education, and the environment.

I look forward to hearing from you that you are prepared to bear your share of the sacrifice in the name of fairness as we put America on a course of living within its means.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "E. M. Kennedy", with a stylized flourish at the end.

Edward M. Kennedy

THE PRESIDENT HAS SEEN

1/18/96

THE WHITE HOUSE
WASHINGTON

96 JAN 17 P7:59

January 17, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: DONALD A. BAER

SUBJECT: STATE OF THE UNION

Attached are more ideas on the State of the Union which I hope you find useful.

cc: Nancy Herrreich

Need to sign
letter to see folks who came
to dinner
+ call PNT Sec who came
to Blair's dinner

Princeton University

Dean of the Faculty

9 Nassau Hall

Princeton, New Jersey 08544-5264

Amy Gutmann, *Dean*

Laurance S. Rockefeller University Professor

Tel: (609) 258-3020

Fax: (609) 258-2168

January 12, 1996

President Clinton
c/o Mr. Don Baer
The White House

Dear Mr. President:

The dinner at the White House on Sunday night was a wonderful opportunity to discuss the future of American democracy, and I cannot thank you enough for that opportunity. I find your grasp of the problems and prospects of American democracy inspiring. You asked for advice on your upcoming State of the Union address. I think it is absolutely critical that you combine the message of where you stand on the budget with an overall vision of where you will lead this country in the years ahead. The two are connected in an intimate and essential way.

The greatness of American Democracy depends on a continuing commitment to RECIPROCITY. This country at its best has grown and progressed not at the expense of individuals and local communities but by supporting individuals and local communities and in turn enlisting each others' support. This requires a national effort. The Republicans are threatening to undermine this effort and the value of reciprocity when they refuse to agree on a budget that provides a REAL SAFETY NET for all citizens who have done their fair share to contribute to this great country.

Everyone agrees that the budget must be balanced. It would be a travesty of fairness to saddle our children with the burden of a big deficit. But Americans are overwhelmingly with you, not the Republicans, when you oppose balancing the budget on the backs of our senior citizens, or any other group of Americans. You must continue to stand, and show that you stand, not only for balancing the budget but also for BALANCING THE BURDEN OF BALANCING THE BUDGET.

This commitment is part of a larger vision—which combines reciprocity with real economic growth. Balancing the budget ensures growth. Balancing the burden ensures reciprocity.

There are also many issues beyond the budget that need to be integrated into this vision. In the interests of brevity, I mention only a few below.

Beyond the budget, it is essential that the American people hear that you are committed to providing a REAL SAFETY NET for all citizens who are willing to do their fair share. No one can guarantee all citizens their current jobs. But the Republicans are trying to tear holes in the existing safety net, threatening to take away the extraordinary accomplishments of Medicaid and Medicare, which provide needed security to so many Americans. And they are doing nothing to give hard-working Americans the security they deserve.

A commitment to creating a real safety net means working to make health care and retirement benefits portable. It means working to expand education and retraining for those who are seeking new jobs. It means working to raise the minimum wage and the earned income tax credit, so that full-time work pays enough to support a family. Hardworking Americans should have the security of knowing that they can afford a college education for their children, that they will not be at the mercy of charity or public assistance if they fall sick, and that they will not lose their retirement benefits if they need to find another job.

Reciprocity also entails giving our children the fair chance that they deserve to become productive citizens of the future. We must invest in education at all levels, and in an education that imparts the skills necessary for the marketplace along with an appreciation of the responsibilities as well as the rights of American citizenship. Your administration has worked successfully to reduce crime and drug use among adults. You should convey your continuing commitment to working hard to reduce juvenile crime, drug use, and teenage pregnancy.

The country has been moving ahead at an impressive pace in the past few years—growth in GNP is up, unemployment and crime are down. But many Americans are still anxious and insecure, for reasons of which you are well aware. Your upcoming State of the Union is the perfect time to show the American people how you plan to build on these important advances with an optimistic (yet realistic) vision of the American future. It is a vision, as I conceive it, of increasing security and opportunity for all Americans. It is a vision of the United States as a leader in the world economy because it is also a leader in securing educational opportunity for all its children. This is a vision that can unite us all because it is built on our common commitment helping each other help ourselves.

I urge you to emphasize your positive and inspiring vision for future of the country, along with several (but by no means all) of the major plans you have to realize this vision. It is a vision that the vast majority of Americans share, appreciate, and will remember.

Once again, thank you for this opportunity. I hope my "two-cents-worth" is helpful.

Sincerely,



Amy Gutmann

THE PRESIDENT HAS SEEN
1/18/96

THE WHITE HOUSE
WASHINGTON

96 JAN 17 P7:22

January 17, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: DONALD A. BAER
SUBJECT: STATE OF THE UNION

Attached are Daniel Yankelovich's ideas on the State of the Union which Mack passed along to me. I hope you find this helpful.

Don
*(likes this argument
it can be part of the new look
of the budget discussion -*
Be

cc: Nancy Harnreich

FROM: LNS
PHONE NO.: 3039268333
Jan. 13 1996 08:06 PM F1
To: Don BAER
From: Mack McLarty

Don B
Bruce B
Vicki R
—
orig
—

Memorandum

DATE: January 13, 1996

TO: Mack McLarty

FROM: Daniel Yankelovich

RE: Contributions to State of the Union

As we agreed on the phone, a shorter text now has a better chance to be considered than a longer text later. So, here is a way to invite Americans to become part of the dialogue that this country needs to have in the next few years:

"I know that many of you who have watched the budget debate here in Washington over the past few weeks are disgusted with what you regard as 'political shenanigans'.

"There are plenty of political shenanigans here in Washington, but this debate is not one of them. It is a debate about our future as a nation, and frankly, it is too important to be left to Washington. All of you should engage with it -- talk about it with each other, with friends and relatives, with neighbors, with the people with whom you work. It affects the lives of every one of you.

"The problem is easy to define but difficult to solve. We need to balance the budget so that our economy is free to grow without being crushed by the burden of debt. At the same time we also need to honor our commitments for social security, for health care for seniors and those mired in poverty, and for insuring that our nation's children do not go hungry or homeless.

"These commitments are not signs of bloated and inefficient government: they are commitments that all compassionate Americans are determined to honor. Their source is not government

inefficiency and bureaucracy. They come from the heartfelt desire of the American people to do the right thing for other Americans. And they have done wonders for our society.

"For example, as a boy I remember people worrying that when they grew old they might not have the health care they need, and that those down on their luck might not have the helping hand they need to get back on their feet. One of our nation's proudest achievements is that growing old is no longer synonymous with being poor and that we are living longer and healthier lives. We do not want to go backwards on this.

"But as citizens we face a dilemma. Our resources from tax dollars are too limited to do everything we need to do for our nation and our selves. There are many more older Americans now than when Social Security began. In the 1950s there were more than 16 people in the work force to support each retired person, and many people never even reached retirement age (the average age of death was 61). Now there are only three people in the workforce instead of 16 to support each retiree, most people live long enough to retire, and once they do reach retirement age they have a life expectancy of 17 more years.

"These are wonderful blessings. But they are costly blessings, and they force us to make difficult choices. How big a piece of the pie should go to seniors? How much should go to children? How much to education and the environment? How much should go to creating jobs, and investing in training so that we can redeem the American Dream for the generations that follow us?

"Dismantling government is not going to answer these questions. Do not be fooled by rhetoric that tells you that government itself is the problem. Suppose we cut the government in half. Would this also cut in half the number of seniors who need Medicare? Would it cut in half the number of children living in

poverty? Would it cut in half the number of men and women who need better jobs?

"If taking a meat ax to government would solve these problems, I would be the first to wield it. But let us use a little common sense. The central issue of our day is not the size of the Federal government. It is how to stretch the tax dollar so that under the tougher conditions of the future we can meet the obligations we willingly assumed in the past. And this is the heart of the matter: conditions *are* getting tougher.

"You should not think that our two political parties are dealing with these monumental issues lightly or irresponsibly. They are not. Both sides are serious, but naturally they reflect different priorities and values. The good news is that the common ground both sides share is substantial. Both sides agree that the budget should be balanced. Both sides agree that it should be done in seven years. Both agree that we need to stimulate faster economic growth, and that we have to cut down on our commitments to meet the size of our purse.

"So the state of the union is in responsible hands. But, I repeat, the decisions are too important to be made in Washington. My message to you is "Join the debate. Don't stand on the sidelines. This issue does not belong to the politicians and the journalists. It belongs to you. It is your life. Your future. Your tax dollars.

"I have a firm commitment to balance the budget and to reduce waste and inefficiency in government. But when it comes to maintaining our commitments to older Americans and to citizens who need a helping hand, I feel we must proceed very cautiously, and with great compassion."

MEMORANDUM TO THE PRESIDENT

From: RBR

96 JAN 16 A 9:16

RE: Gov. Bill Weld's "State of the State" address

Date: January 11, 1996

Weld gave the attached address last Tuesday night. Thought you'd be interested. The speech has a predictable right-wing spin, but it also previews his contest with John Kerry and offers a Republican version of your basic message. Note the central emphasis on the economic anxieties of working people, the importance of corporate responsibility in responding to these anxieties, and the key role of government in providing education, job training, and life-long learning to prepare people for better jobs. He challenges business to take a more active role in keeping its part of the social bargain. (Note also that he commits Massachusetts to making up for any possible cuts in the EITC which might emerge from the current federal budget negotiation.)

THE PRESIDENT HAS SEEN

1/18/96

cc: Nancy Hernandez

Bus



THE COMMONWEALTH OF MASSACHUSETTS

EXECUTIVE DEPARTMENT

STATE HOUSE • BOSTON 02133

(617) 727-3600

WILLIAM F. WELD
GOVERNOR

ARGEO PAUL CELLUCCI
LIEUTENANT-GOVERNOR

State of the State Address of
Governor William F. Weld

Tuesday, January 9, 1996

State House
Boston, MA

(Remarks Embargoed Until Delivery at 7:30 p.m.)

President Birmingham, Speaker Flaherty, and fellow citizens:

A few weeks ago, families all over Massachusetts turned on their televisions and saw workers at Malden Mills standing on a hillside above a raging fire, frightened that they were watching their jobs burn.

For days, this story dominated the headlines, and the people of the Commonwealth held their breath -- until the owner of Malden Mills, Aaron Feuerstein, promised that those paychecks would keep coming and that Malden Mills would rebuild in Methuen.

The intense public interest in these events, and the tidal wave of private charity that flowed towards the workers of Malden Mills, say two important things about Massachusetts: first, that we have many generous people in our midst, and second, that many people felt the plight of Malden Mills' employees in their bones. There are a lot of men and women in Massachusetts who live with the nagging fear that their jobs, too, might turn to ashes at any minute.

This insecurity is hard to see on paper. Since the trough of the recession in 1991, over 180,000 new jobs have been created in this state. Our unemployment rate is now only 5.1%, well below the national average. Between 1991 and 1994, wages grew four times as fast in Massachusetts as in the country as a whole.

Yet, most Massachusetts residents are not complacent when they consider their own prospects -- they're pacing the floor. All through this economic recovery, many of you have wondered, "When are things going to get better for me and my family?"

Wall Street spends a great deal of time celebrating the speed and vigor with which our businesses are becoming leaner and more competitive -- and rightly so. But it's time that we spoke seriously about the side-effects of all this corporate aerobicizing: the insecurity people feel in their work lives and about their futures. It's time we consider what government can do about that.

We know what doesn't work -- pump-priming government spending to make up for the anxieties of the private labor market. They tried that here in Massachusetts in the 1980's. It only made the recession worse. The federal government has been doing it for 30 years in Washington, and the debt that has accumulated as a consequence is one of our biggest national problems.

Out-of-control government spending, by putting a drag on the economy, actually breeds the ills that it purports to cure.

But even if government can never replace the paychecks

generated by a healthy private sector, we in government can do something important for everyone out there struggling to raise a family and maintain a home and keep a car on the road: we can make those paychecks count.

In 1950, the average American family paid only 2 percent of its income in federal taxes. Today, it surrenders almost 25 percent in federal taxes alone! Add in state and local taxes, and 40 percent of the average family's earnings go straight to government. That's a pretty big rock to roll uphill.

Now, we've been chipping away at that rock in Massachusetts with our eleven tax cuts in the last five years. And over the next two years, we're proposing to lower our state income tax rate another half a point, so as to leave half a billion dollars a year more in your pockets, by consolidating hundreds of overlapping state government agencies.

Also, by cutting government regulation, we propose to give you relief from hidden taxation -- like the extra 75 cents or so that needless regulation adds to the cost of a six-pack of beer in Massachusetts.

And if Washington cuts the Earned Income Tax Credit, I propose that the Commonwealth put that money back into the wallets of working people who need it: on the day a federal budget is signed that makes working people without children ineligible for the Earned Income Tax Credit or lowers the maximum income you can earn and still receive it, I will file a bill making up for those cuts. My focus is to see to it that this time next year, every working person in Massachusetts has more money to spend on his or her family, not less.

The second thing government can do to ease economic fear is to make our state more attractive to more employers, to locate or expand here. In an age of mergers and layoffs, we have to keep our eye on one clear goal -- making Massachusetts the headquarters of choice for the employers of the future.

To reach that goal, we must keep on lowering the costs of doing business, as we've been doing since 1991. We took another substantial step forward this past year with a tax cut for manufacturers that encourages investment and job creation here.

If we continue making intelligent tax choices, such as extending the single sales factor to service businesses as well as manufacturers, as Mayor Menino of Boston has proposed, we'll become even more of a world power for financial services.

If we continue making intelligent infrastructure choices --

such as supporting a telecommunications research and development park in Medford, Malden and Everett, and a center for information processing at the great fiber-optics crossroads in Springfield -- we'll become even more of a world capital for telecommunications and the on-line revolution.

At the end of the day, however, the kind of intelligence that matters most, in the competition for jobs, is the intelligence of the men and women who will hold those jobs. Right now, the 1995 Development Report Card for the States gives Massachusetts a grade of "A" for our development prospects -- largely because we have the most skilled and educated workforce in the nation.

And that is one reason why Aaron Feuerstein kept Malden Mills here when other textile businesses were heading south. The kind of workers we produce in Massachusetts are crucial, if you decide to build your success on a trash-into-treasure miracle like recycling soda bottles into a warm winter fleece. As a result of the dominance Malden Mills has achieved through technology, its employees are the highest-paid textile workers in the world.

For people with the skills that match our high-tech workplaces, there's a new definition of job security. It may not mean a gold watch after 30 years with one company; instead, it means having abilities that are in demand at many employers, abilities that you will carry from job to job to job.

Of course, that doesn't help if you're not a software engineer or a machinist -- if instead, you're a middle manager worried about big corporate layoffs, or a bank-teller or book-keeper whose job may become redundant or obsolete.

Here's the bottom line: the biggest challenge we face together right now is making sure we don't divide into big winners and big losers -- that instead, as many people as possible get on that high-skill, high-wage train.

And here's how we hit the bottom line: in the long run, nothing is more critical to this challenge than education and training.

First, we've got to spread educational opportunity around.

With our Education Reform Law of 1993, we've gone a substantial part of the way towards guaranteeing a good K through 12 education for every child. We are putting literally billions of dollars more into our classrooms. A sound second step would be universal school choice, for poor parents as well as rich

parents. A third would be to remove the artificial limit on the number of charter schools, allowing any school to bypass the education bureaucracy and get those dollars straight into the classroom. And a fourth would be for more Massachusetts employers to play the kind of role Texas Instruments is taking in the Attleboro public schools -- giving kids their first taste of the working world through school-to-work programs.

Next, to protect the men and women losing their jobs in today's corporate re-structurings from facing life-long insecurity, Massachusetts has to place serious emphasis on life-long learning. And we've been doing so, through the MassJobs Council, under the leadership of Lieutenant Governor Cellucci. But every year, the federal government sends us almost three-quarters of a billion dollars for job training -- and then guarantees that much of it is squandered by the bureaucracy attached to its more than three dozen programs.

We don't need job training programs stuck in the 1960's -- in other words, somebody filling a classroom with bodies and teaching them auto mechanics just because he has always taught auto mechanics, never mind that the jobs are in computers. If the federal government would block-grant its job training money, we could pass out vouchers to employers and employees -- and let them choose the kind of training that matters. People aren't stupid. They can figure out where the jobs are.

Finally, it's also our job to make higher education affordable to every kid in Massachusetts. By the year 2010, three quarters of all the new jobs in the state are going to require some post-secondary education. I applaud the push to get those tuitions down, and we're doing our part to help parents finance a college education. Our U. Plan allows them to pre-pay tomorrow's tuition at today's rates. We're also helping them borrow for college through the MassPlan. We offer student loans at lower rates and better terms than the federal government, and because we didn't build a big bureaucracy to do it, the taxpayers don't spend a dime to subsidize those loans.

#

The truth is, here in the State House, we've been keeping our part of the bargain. We're working to improve our schools. We've dramatically overhauled our welfare system. And we're making this a much more business-friendly state.

The men and women of Massachusetts are also more than keeping their part of the bargain. You already make up the best-educated workforce in the country, and you are working hard -- many of you two and even three jobs -- to support your families.

Now we must challenge our employers to keep their part of the bargain as well. This year, Aaron Feuerstein's simple, old-fashioned sense of responsibility to the people who work for him struck many of us as a holiday miracle.

And today, I want to say to every other Massachusetts employer something that you already know: that even though you may sell your products and services over the Internet, in Hong Kong as often as in Fall River -- you are still citizens of Massachusetts. You still have a responsibility for the good of the community in which you reside. We know you will value your employees -- and understand that they are not disposable -- and make sure their paychecks grow when corporate profits do.

In this vein, I also hope the employer community will pitch in and help us all reach a goal we share -- ending welfare dependency -- by hiring the 20,000 welfare recipients who are required to work under the landmark welfare reform law the Legislature passed last year.

This new law is important for many reasons, and simple justice is among them. We are on our way to restoring some degree of fairness to the working mothers in this state, who as a group may be the hardest-working people in human history.

One working mother of a two-year old, Tina Tucker, wrote me recently, "I understand if I was on welfare, I could go to a training school free ... I could get a day-care voucher ... I could get food stamps and a check every two weeks. Mr. Weld, that sounds like luxury to me.... Can you explain to me why I should not quit my job and go on welfare?"

Frankly, it's tough to explain why, when our welfare benefits are worth as much as a \$30,000-a-year job.

By making welfare temporary, we're helping to correct this injustice. But equity demands that we also extend more day care to working people. So, with this year's budget, we are proposing to fund thousands more day-care slots for working families -- for a total of almost 22,000.

The connection between welfare reform, and the healthiest kind of economy -- one in which everyone expends effort and makes a contribution -- is obvious. Though our welfare reform law could be described as tough, it's also essentially hopeful. It says to those on welfare, "You must work." But it also says, "We have faith that you can work, just like all the rest of us."

Unfortunately, turning idleness into a lifestyle was not the only damage our old welfare system did -- and it may not even be

the worst damage. Welfare has also promoted illegitimacy on a massive scale by encouraging young women to have children out of wedlock.

Right now, Massachusetts has the highest rate of out-of-wedlock teenage births in the nation: 89 percent. Eighty-nine percent! That's in the best-educated state in America!

It's shocking, but not entirely surprising. If a teenager has a baby out of wedlock, we take care of all the necessities of life for her and her baby -- food, health care, day care, housing -- plus, we give her a \$500-a-month cash grant on top of all this. Such policies have consequences. A sixteen year-old recently told the Boston Globe that the main reason some of her teenaged friends were having babies out of wedlock was to get welfare benefits.

It's time to take away the \$500 a month cash allowance welfare gives unwed teenagers -- because right now, it makes having a baby before you're married, before you've finished school, before you are psychologically or financially ready to support that baby, much too attractive.

The importance of discouraging illegitimacy simply cannot be overestimated. Study after study has proven how harmful it is for children to grow up fatherless. Here in Massachusetts, 84 percent of the juvenile delinquents in the custody of our Department of Youth Services come from homes with at least one absent parent.

#

Of course, all our efforts to secure our children's economic future are meaningless, if we can't protect them from violence in their neighborhoods and in their schools.

In a classroom of 30 schoolkids, all that 27 of them want to do is learn. For too long in the past, our society put the alleged "rights" of the other three kids first.

That's why Paul Cellucci and I fought to give school principals the authority to make sure those kids who want to learn are given the opportunity in a classroom free of violence, free of guns, and free of drugs.

This year, we are filing legislation to double the mandatory minimum penalties for anyone who brings an illegal gun on school property. And if a kid brings a gun into your child's classroom, he should not be allowed in that classroom again.

We also want to double the mandatory minimum penalties for anyone who deals drugs to kids.

Along with guns and drugs, gang violence is one of the biggest threats to the safety of our kids and neighborhoods. Violent gang members belong in prison, and we're going to keep on fighting for tough mandatory minimum penalties to keep them there.

Naturally, if our kids cannot be safe on a playground from sexual predators, then everything else we do to protect them does not matter. It is time for Massachusetts to pass a sex offender registry, so parents know if a convicted pedophile is living across the street. It is also time to put habitual sex offenders in prison for life, so they can never harm our families again.

You do hear the argument these days that mandatory minimum sentences interfere with judges' discretion. I say, that's right. That's exactly what they're supposed to do.

When the courts return dangerous criminals to the streetcorners as fast as the police can haul them in, the public has a right to demand justice. The public has a right to say that people who prey on our neighborhoods and our children deserve to be in prison. It shouldn't be maybe, it should be mandatory.

Finally, for cop-killers and other cold-blooded murderers, there's only one answer: the maximum penalty. The death penalty.

#

Paul Cellucci and I are now in our sixth year of working with Massachusetts legislators for the betterment of our state. Together, we've done a great deal to change the culture of Massachusetts. We no longer talk about which taxes to raise here; instead, we talk about which taxes to cut. We no longer treat criminals as victims and victims as if they were criminals. We no longer serve up welfare as a permanent lifestyle.

Of course, there is more work left to do here. And after listening to me speak for twenty minutes about the steps we should take next on Beacon Hill, some of you may possibly be wondering why I'm asking the people of Massachusetts to send me to Capitol Hill in Washington next year.

Let me tell you why: it is true that we need more of the same here at home. But it is also true that Washington today is messed up like Massachusetts was in 1990! And for Massachusetts to be all that we can, we need a federal government that does its

part to cut its taxes, balance its budget, control its spending; end its inept control over welfare; and pass tough anti-crime laws to help us keep the streets of Pittsfield and Worcester and Lowell and New Bedford safe.

Whether as Governor or Senator, I consider it a great privilege to serve the people of Massachusetts in government. Today I think the stakes are fairly high.

Let me leave you with one thought: for two hundred years, when American parents have held a new baby in their arms -- and my wife and I have been blessed to hold five -- they have always been sure the child would do better than the generation before. Parents used to stand over the cradle and wish that new baby the physical ability to work hard. That was all it took in America. Now that boy or girl needs more.

We in government have a role to play in bringing them the gifts they need for good lives. And of all the gifts within government's purview, a good education in a safe environment is the magic wand that brings opportunity.

It is up to us to make sure that wand is waved over every cradle.

Thank you, and good night.

1/17/96

Weld gives state a populist agenda

Urges welfare hiring, profit-sharing, training

By Frank Phillips
GLOBE STAFF

In an address dominated by economic concerns, Gov. William F. Weld last night took a populist tack, reaching out to victims of corporate downsizing, calling for an overhaul of job-training programs and lecturing Massachusetts business leaders on their civic responsibility.

In his annual State of the State address, the governor barely mentioned his campaign against US Sen. John F. Kerry, but the themes of his 25-minute speech to the Legislature seemed very much tuned for the race and highlighted the issues he hopes to run on.

With lawmakers, political sup-

porters, and his family in the crowd, the governor reiterated his strong anti-crime record, his call for a further cut in the state income tax, and his proposal to cut off cash benefits to teen-age mothers with illegitimate children. And he touted his record of cutting state government, reducing taxes, and making Massachusetts more business-friendly.

But for the first time since taking office in 1991, and with an apparent eye on moderate voters who must choose between him and Kerry, the governor lectured Massachusetts business leaders — a constituency he has always treated with near-fawning respect — on their responsibilities as corporate citizens.

Striking a conciliatory tone and

citing Malden Mills president Aaron Feuerstein as an example for corporate leaders, Weld called on firms to share profits with workers and to open up jobs to welfare recipients.

"You... have a responsibility for the good of the community in which you reside," Weld said. "We know you will value your employees and understand that they are not disposable, and make sure their paychecks grow when corporate profits do."

Weld also called on Massachusetts businesses to hire 20,000 welfare-recipients who are being pushed off the rolls under reform the Legislature passed last year.

Weld referred several times to Feuerstein, the owner of the Meth-

WELD, Page 10

BC - State of Union

cc: Nancy Henneick

Princo 1/17/96

WELD

Continued from Page 1

Weld's speech was interrupted by a fire at a textile factory that burned down last month, and held him up as a model. Feuerstein, who attended the session, was given a standing ovation when Weld opened his speech with a reference to the mill owner's decision to continue paying workers after the fire and to rebuild in Methuen.

Kerry has his say

Early news media reports that Weld planned to express concerns for the workers facing job insecurity because of corporate downsizing prompted a midday retort from Kerry. Several hours before the speech, Kerry called reporters to his Boston office and chided the governor for belatedly recognizing the issue.

Kerry, who said he was passing up an invitation to attend the speech in order to go to a Bruins game, said that when Weld announced he would run six weeks ago, the governor defined the race's key issues as crime and taxes, never mentioning job security.

Kerry said that he insisted at the time that job security was a key issue in the campaign.

"It is interesting to me that the governor is once again following the polls and following someone else who has set the lead," Kerry said.

In the only reference to his Senate campaign, Weld offered a rationale for voters to send him to Washington, saying the nation's capital "is messed up like Massachusetts was in 1990. And for Massachusetts to be all that we can, we need a federal government that does its part" to cut taxes, reform welfare, crack down on crime, and control spending.

Targets economy, crime

Weld's comments on job insecurity came early in his speech when he talked about how "Wall Street sends a great deal of time celebrating the speed and vigor with which our businesses are becoming leaner and more competitive - and rightly so."

"But it's time that we spoke seriously about the side effects of this corporate aerobicing: the insecurity people feel in their work lives and about their futures. It's time we consider what government can do about that." But Weld offered no substantive prescription.

Weld's proposals

In his State of the State address last night, Gov. Weld outlined a number of proposals. They include:

- A reduction of 1/2 percent in the 5.95 percent state tax on earned income
- A state earned income tax credit for the working poor if the current federal credit is removed
- A call for Massachusetts companies to hire welfare recipients to help ease the welfare-to-work transition required under new state law
- A plea for companies to value employees by increasing wages as profits rise
- An end to the \$500-a-month stipend to unwed teen-age mothers because, he said, it encourages illegitimacy

Weld dismissed the traditional Democratic strategies of stimulating the economy through spending, saying unchecked government spending puts a drag on the economy.

Instead, the governor said his fiscal policies of promoting tax cuts, government downsizing, and elimination of bureaucratic red tape are part of what government can do to create a healthy private sector and ease those fears.

The governor said also that the most critical effort is to create effective education and training programs to allow workers to "get on that high-skill, high-wage train."

"For people with the skills that match our high-tech workplaces, there's a new definition of job security," Weld said. "It may not mean a gold watch after 30 years with one company; instead it means having abilities that are in demand at many employers, abilities that you will carry from job to job."

But Weld said he wants to replace federally funded job training programs that he said are "stuck in the 1960s" with block grants that would allow the state to give vouchers to employers and employees and allow them to choose their training.

"People aren't stupid. They can figure out where the jobs are," he said.

Weld's populist themes also came through when he promised he would file legislation to make up any cuts

'It's time that we spoke seriously about the effects of this corporate aerobicing.'

WILLIAM F. WELD

that come about if Congress and President Clinton agree on a GOP tax package that eliminates the federal earned income tax credit, a benefit for the working poor.

The governor also hit on his anti-crime themes and proposed new

measures, including one to double the mandatory minimum penalties for illegal gun possession from six months to one year for juveniles and one year to two years for adults when the gun is brought onto school grounds.

Weld also said he wants to double the mandatory minimum penalties for anyone selling drugs to children, establish a mandatory minimum of two years for violent crimes, and sentence habitual sex offenders to life in prison without parole.

For the full prepared text of Gov. Weld's speech, go to the Globe's homepage on [boston.com](http://www.boston.com), which can be found at <http://www.boston.com>.
Choose key word: Weld.

Charles Lin

ON CALIFORNIA PETER H. KING

Last Chance to Re-Chisel His Legacy

SACRAMENTO

A governor was dead. In his day, this governor had commanded, once, the nation's attention. He had run hard with the hot issue of race, playing to the racial animus of a white voting majority. The tactic carried him through an election, but it was not without costs.

His obituaries described a tragic figure, whose "hubris" and "romping ambition" had caused him to strike harsh, ugly poses that ran counter to his nature. This governor, in fact, had begun his political life as a moderate, a populist. He created jobs—good, industrial jobs. He built colleges and highways, improved care for the mentally ill, raised pay for schoolteachers.

And yet these words would be lost to history. He would go down as a flawed man who, for political expediency, abandoned principles. As one newspaper eulogist put it: "At the end of his long life, he felt bitter and frustrated that his entire career as a progressive, often innovative governor was overshadowed by his one moment on the national stage."

His name was Orval E. Faubus. He was the Arkansas governor who defied federal orders to desegregate public schools in the 1950s. His death came late in 1994, and by then he was pretty much a forgotten relic of the civil rights struggle. Nonetheless, his obituary rang, at least for this Californian, with a peculiar clarity. Even from a distance of 40 years and 2,000 miles, the story of a governor who lost his way and never recovered seemed strikingly familiar. Why? It was obvious: Pete Wilson.

Like Orval Faubus, Pete Wilson is no racist. And yet, like Faubus, Wilson has demonstrated an ability and readiness to harvest the hatred of racism. Faubus' death came at a time of transition for Wilson. He had just won reelection, in large measure by riding hard the issue of illegal immigration, and all the ugly undercurrents that went with it. Now Wilson was about to mount a

flying these colors. As mayor of San Diego, the moderate Republican endorsed affirmative action programs. As U.S. senator, he promoted laws that ensured California farmers a rich supply of immigrant farm workers. The obituaries suggested that Faubus made his stand for segregation to deflect attention from an earlier tax hike and also to stymie an attempt to outflank him on the right.

"It's true in politics, as in life," Faubus was quoted as saying, in one of his final interviews, "that survival is the first law."

Before Proposition 187, Wilson seemed on the brink. He was plagued in part by an earlier tax increase; he also was under fire from the Republican right. Survival being the first law, the politician best positioned to lead California away from a divisive, racially fired confrontation instead leaped into the middle of it.

"The governor," recalled one of the black students Faubus had tried to bar from Central High, "had an opportunity to become a statesman, and he didn't move to that level."

Here the story lines diverge. Faubus is dead and buried. Wilson is very much alive, with three years to serve as governor—his preference for Pennsylvania Avenue now a moot point. While the time will go fast, there might be enough for Wilson to escape a Faubus-like epitaph. He'll need to get busy.

Like Faubus, Wilson has done some positive things. He came into office with a clear, hopeful agenda, espousing "preventive government," managed growth, sensible water policy, electric cars even. Certainly, he has achieved all a governor should—way more than that, some would say—for the business interests. Yet these items would amount to but a few paragraphs if the Wilson obituary were to be written today.

Instead, he would be cast as a politician who lost his moral compass and took to navigating by weather vane, following the wind into expedient, race-tinged issues. The tone would be tragic, a tale of squandered promise. Indeed, that he was ejected so quickly from the presidential derby ought to convince Wilson that issues like immigration and affirmative action are the stuff of quick, vicious sprints, but not marathons.

The guess here is that Wilson knows this. His State of the State speech Monday night was a curious mix of moral preachments to teenagers and boilerplate calls for tax relief and such. Most strikingly, however, it avoided any mention of immigration or

THE PRESIDENT HUBRIS
1/18/96
1-10-96
TO: [unclear] [unclear] [unclear]

that, on paper anyway, is about one thing,
but in a subtext easily decoded by all is in
fact about something else altogether.

Like Faubus, Wilson did not start out

to relocate his old self, to steer toward more
positive themes. If this was the start of a
rewrite job, it will be interesting to see if he
can keep it up. As they say, it's his
tombstone.

THE WHITE HOUSE

WASHINGTON

January 5, 1996

The Honorable Arthur Levitt, Jr.
Chair
Securities and Exchange Commission
Washington, D.C. 20549

Dear Mr. Levitt:

The enactment into law of H.R. 1058, the securities litigation reform act, creates both opportunities and potential pitfalls for United States securities markets. While some of the act's provisions are likely to increase the amount of information available to investors, and thus enhance market efficiency, a number of other sections may reduce the ability of investors to seek redress for damages resulting from arguably fraudulent activities.

I believe it is important that the Securities and Exchange Commission, as the government agency directly charged with implementing the securities laws and protecting investors, monitor the implementation and impact of this legislation carefully -- and increase enforcement and rulemaking activities if necessary. The budget plan I submitted to Congress on December 7 authorizes and expands fees assessed upon transactions in the securities and bond markets. Combined with future appropriations, these fees will improve the Commission's ability to enforce securities laws and to protect investors.

I also believe it will be useful for the Commission to advise me and the Congress within a year about the impact of the act on the effectiveness of the securities laws and on investor protection, and on the extent and nature of any litigation under the act. In the event there are indications that portions of the act are having a negative impact on the integrity of our markets, I hope the Commission will recommend amendments.

It is my sincere hope that the new act's benefits will far outweigh any problems. I welcome your assistance in accomplishing this result.

Sincerely,



260116

MESSAGE CONFIRMATION

JAN-18-96 10:50

FAX NUMBER : 2024562215

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THE WHITE HOUSE
WASHINGTON

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: Ellen Seidman

Fax Number: 62223

Phone Number: 65359

FROM: Todd Stern

SUBJECT: Levitt Ltr

DATE: January 18, 1996

NUMBER OF PAGES (including cover sheet): 2

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THE WHITE HOUSE
WASHINGTON

January 18, 1996

TO: Diane Ikemiyashiro

FROM: Todd Stern

Okay to use this language but
I want to see any form language
that is prepared. Thanks.

THE WHITE HOUSE
WASHINGTON

1.17.96

Todd-

Please let me know
if the letter ^{96 JAN 18 10:23}
Thanks.

To: Diane Ikemiyashiro

Diane Ikemiyashiro, PLM
rm. 93-0E0B
ext. 6.5519

OK, do use but
this language but
I want to see any
form language
that is prepared.
Thanks.
10/22

THE WHITE HOUSE

WASHINGTON

January 5, 1996

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Chair
Securities and Exchange Commission
Washington, D.C. 20549

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Sincerely,



960116

1/18/96

THE WHITE HOUSE

WASHINGTON

PRIVILEGED AND ~~CONFIDENTIAL~~

January 16, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: JACK QUINN
MARVIN KRISLOVRE: Virginia Military Institute Litigation

In response to your inquiry regarding a recent U.S. News and World Report article attacking the government position in this litigation, we have analyzed the claim that applying "strict scrutiny" to gender discrimination would effectively create a federal Equal Rights Amendment. In addition, we specifically discuss below the various hand-wringing claims the article makes regarding the implications of the case for single-sex colleges, unisex bathrooms, gay marriages and women in the military. As discussed below, we find each of these claims to be without merit.

This case will be heard in the Supreme Court tomorrow. Paul Bender, the Deputy Solicitor General, will argue for the United States. We will monitor the case and keep you informed.

Legal Analysis

The article wildly misstates the applicable law. As you know, strict scrutiny has long been applied to claims of racial discrimination under the Equal Protection Clause, as the Supreme Court did in Adarand with respect to claims challenging federal affirmative action programs. In VMI, the United States is urging simply that the same standards as applied in challenging affirmative action programs should be applied to claims of gender-based discrimination (although the brief argues that we should prevail even under the presently applicable "intermediate" level of scrutiny).

Under strict scrutiny, courts examine whether the classification is "narrowly tailored" to justify a "compelling state interest." This standard does not prohibit states from making gender-based classifications. Rather, the strict scrutiny standard would place a heavier burden on those seeking to justify gender-based classifications, but one that could be met in many circumstances (especially where, for instance, privacy or associational concerns are implicated).

Applying strict scrutiny would not create a federal E.R.A., because the legal standards vary dramatically. The proposed

DETERMINED TO BE AN ADMINISTRATIVE
MARKING Per E.O. 13526
Sec. 3.2(C) Initials: DB Date: 7/11/2019
2019-0774-5

federal Equal Rights Amendment would have absolutely prohibited discrimination based on gender where state action was involved:

"Equality of rights under the law shall not be denied or abridged by the United States or by any State on account of sex."

Even under E.R.A.-type analysis, some state courts have found that associational and privacy rights may justify the continuation of single-sex facilities. Moreover, even proponents of the federal amendment make clear that they did not intend to mandate single-sex bathrooms or undermine appropriate single-sex organizations.

Implications of Adopting a Strict Scrutiny Standard

1. Single-Sex Colleges

The U.S. News article makes erroneous claims regarding the implications of a strict scrutiny standard for single-sex colleges. However, applying strict scrutiny would not, in our view, affect private single-sex colleges; the state action element is absent in such cases.

Even if a private single-sex college accepts public funding or avails itself of tax exemptions, there still would be no basis for deeming such institutions to have been converted into state actors for Equal Protection purposes. VMI is a public institution and therefore clearly covered by the Equal Protection Clause. Private colleges are not. As the government brief states, "The legality of private single-sex education would be unaffected by a holding that VMI's admissions policy is unconstitutional."

The Bob Jones example raised in the article is easily distinguishable. There the Supreme Court found that the IRS' denial of tax exempt status to a racially discriminatory private university was justified because of the exceedingly strong national policy (expressed in federal statutes) against racial discrimination. Applying strict scrutiny to gender-based discrimination would not create any such policy or burden on single-sex colleges, because federal statutes explicitly allow the continuation of single-sex educational institutions and facilities, such as athletic teams, so long as there is parity of treatment, or disparities are justified.

Even if strict scrutiny were applied to a public institution, a single-sex college could survive strict scrutiny by demonstrating that system-wide educational opportunities provided to both genders are roughly equal and that the state tailored its programs to serve interests in educational diversity. Moreover, women's colleges could show "compelling interest" in their survival by pointing to a history of discrimination against women in higher education. As the article

notes, most women's colleges therefore support the application of strict scrutiny to claims of gender discrimination.

2. "Unisex" Bathrooms

The article also asserts that "even unisex bathrooms . . . would be back as a real issue under strict scrutiny." This is not true. Any challenge to separate bathrooms would easily be rebutted by demonstrating the compelling interest in privacy. As the government brief explicitly states: "The compelling interest in respecting individuals' privacy would clearly justify separate arrangements for men and women while sleeping and while using bathroom and shower facilities."

3. Gay Marriages

The article also charges that "under strict scrutiny, a legal challenge to the heterosexuals-only marriage regulations would certainly succeed." This is not true. Applying strict scrutiny to gender discrimination claims would not lead to single-sex marriages. The federal courts have distinguished claims based on gender from claims based on sexual orientation. Applying strict scrutiny to gender discrimination claims would not affect the standard of review for claims involving sexual orientation (which has been the rational basis test, the lowest standard).

The Hawaii case cited in the U.S. News article involves the Hawaii state E.R.A., not the Equal Protection Clause of the Constitution. The Hawaii state E.R.A. absolutely prohibits discrimination on the basis of sex. The Hawaii Supreme Court sent the case back to the lower court to see if the state could demonstrate a "compelling interest" in barring single-sex marriages. (Informally, DOJ's Civil Rights Division has commented that the Hawaii Supreme Court probably erred by equating "sex" with "sexual orientation.")

Even if strict scrutiny were applied to state prohibitions on same-sex marriages, a state could defend by pointing to "compelling interests" in traditional family structures. In most state courts, it seems likely, today, that states would prevail on such assertions.

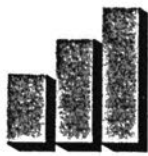
4. Military Issues

The article acknowledges that the Justice Department brief states that the military should be unaffected by the application of the strict scrutiny standard to gender discrimination claims, but the article warns that applying strict scrutiny in fact may change the status quo. The contention is groundless. Our brief notes: "Regardless of the level of judicial scrutiny, federal executive and congressional policies and programs having to do with the conduct and control of military affairs should continue to receive the judicial deference they have traditionally been

afforded." This long-standing judicial deference to the military will not be affected by applying strict scrutiny to gender discrimination claims.

A handwritten signature in black ink, appearing to be 'Jau' or similar, written in a cursive style.

cc: Mike McCurry



CENTER ON BUDGET AND POLICY PRIORITIES

THE PRESIDENT HAS SEEN
1/18/96

DRAFT

January 17, 1996

Handwritten notes: "1/18/96", "Budget Center", "Balancing Budget", "RC" with an arrow pointing to the bottom right.

ASSESSING THE PRIORITIES OF PLANS TO BALANCE THE BUDGET:

What are the Effects on Low-Income Programs and People?

Overview

This analysis examines the effects of Republican and White House budget policies and assesses whether these policies would demand evenly shared sacrifice in the effort to achieve budget balance. The analysis reflects the latest budget offers made by Congressional Republican leaders and by the White House and the Senate Democratic leadership, as well as pending action on the 1996 appropriations bills.

The effects of the Republican budget approach include the following:

- In appropriations action over the past year — including Congressional action on the fiscal year 1996 appropriations bills — low-income programs that are not entitlements are being cut 19 percent, or \$12 billion below their 1995 funding level adjusted for inflation. By contrast, all other non-entitlement (or "discretionary") programs would be cut an average of five percent. All other *non-defense* discretionary programs would be cut an average of 10 percent.
- Low-income discretionary programs account for 12 percent of all discretionary funding (including defense), but they would absorb 33 percent of all discretionary cuts being made.
- In the latest Congressional Republican plan to balance the budget, means-tested entitlements would be reduced \$164 billion over the next seven years. The depth of the cuts would grow with each passing year; by 2002, these programs would be reduced 15 percent.¹ By contrast, non-means tested entitlements would be cut an average of six percent in that year.
- Means-tested entitlements comprise 24 percent of all entitlement spending over the next seven years. But they would absorb 42 percent

¹ Information on the latest Republican offer comes from materials released by Republican leaders showing the total amount of savings their plan would make in each budget category over the next seven years and a table prepared by the Senate Budget Committee majority staff that apparently represents the leading option for how the savings in each category would be apportioned on a year-by-year basis over the next seven years.

of all entitlement cuts over this period. By 2002, they would absorb 47 percent of the entitlement cuts.

- Over the next seven years, low-income discretionary and entitlement programs combined would be reduced between \$276 billion and \$297 billion. While low-income programs constitute just over one-fifth of the federal budget, they would absorb about two-fifths of the cuts.
- The tax cuts would be of little help to low- and moderate-income households. The poorest one-third of children would not receive a child tax credit. In addition, several million low-income working households would likely face a reduction in another tax credit — the Earned Income Tax Credit — and would be worse off under the Congressional tax package than if current law remained unchanged.

By contrast, the wealthiest one percent of taxpayers would ultimately gain an average of \$8,450 per year from the tax package Congress approved in the reconciliation bill, according to a Treasury analysis. The top 20 percent of families would ultimately receive 63 percent — or nearly two-thirds — of the benefits from the tax package. (Detailed information is not available on the changes that Republican leaders propose to make in the tax package included in the reconciliation bill. It appears, however, that the principal change will be sunseting some of the tax cuts shortly before 2002 rather than scaling them back substantially.)

- Despite much political rhetoric about going after “corporate welfare,” government subsidies for businesses would barely be touched. According to CBO data, the federal government is slated to provide \$718 billion in business subsidies over the next seven years. The Congressional reconciliation bill would trim these subsidies by a net of \$11 billion, or 1.5 percent. This figure is not likely to change dramatically under the latest Republican offer. If business subsidies were trimmed by the same percentage that the Congressional budget reduces programs other than defense and Social Security, they would be reduced \$79 billion over the next seven years.
- An analysis by OMB and HHS indicates that under the reconciliation bill Congress approved and pending appropriations bills, three million people — half of whom are children — would be added to the ranks of the poor. The changes in the latest Republican offers are unlikely to have lowered this figure much since the latest offers do not affect the size of the cuts that would be responsible for most of the estimated increase in poverty — the cuts in food stamps and assistance to disabled

children and to legal immigrants, and the restructuring of the AFDC program.

This analysis also examines the latest proposal to balance the budget put forward by the White House and the Senate Democratic leadership.

- The Clinton administration has opposed a number of the reductions Congress is making in the fiscal year 1996 appropriations bills, including various reductions in low-income discretionary programs. In addition, the total reduction the Administration has proposed in discretionary programs over the next seven years is somewhat smaller than that which Republicans have proposed. On the other hand, by the year 2002, the reduction the Administration would make in discretionary spending would exceed those proposed in the latest Republican offer. The Administration's latest offer would appear to lead to a reduction of more than 30 percent in low-income discretionary programs by 2002.
- The Administration's latest offer would reduce means-tested entitlement programs nine percent by 2002. This is nearly twice the five percent average reduction it calls for in other entitlement programs. At the same time, it is about three-fifths the 15 percent reduction in means-tested entitlements that the latest Republican offer would extract in 2002.
- The Administration's proposal differs particularly sharply from the Republican proposal in the tax area. The Administration proposal does not contain tax reductions heavily benefitting high-income individuals and contains only a very small change in the earned income tax credit for low- and moderate-income working households. It thus avoids both large tax cuts at the top of the income spectrum and tax increases among some near the bottom. The latest Administration proposal also would reduce business tax subsidies about \$60 billion over seven years while the Republican proposal (at least as reflected in the reconciliation bill) contain a *net increase* in business tax subsidies.
- The Republican plan appears likely to reduce business *spending* subsidies slightly more than the Administration plan would; for example, the Republican proposal would reduce farm subsidies by \$4 billion, while the latest Administration proposal would not touch these subsidies. (Earlier Administration proposals contained a \$4 billion trim in these subsidies but that was dropped in the latest offer while reductions in various other entitlement areas were increased.)

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Both Democratic and Republican plans thus would reduce low-income programs by a larger percentage than other programs, but both the depth of the low-income reductions and the degree to which the budget cuts in this area are disproportionate would be substantially greater under the Republican approach. In addition, the tax changes in the Republican plan would confer large tax cuts upon those at high income levels and benefit corporations while adversely affecting some low- and moderate-income workers, features not present in the Administration plan.

These plans are being considered at a time when income in the United States is more unevenly divided than at any time since the end of World War II and income disparities are wider here than in any comparable western industrialized nations.

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OVERALL REDUCTIONS IN SPENDING

	Low-income <u>Programs</u>	Other <u>Programs</u>	Ratio: Low-income/ <u>Other Programs</u>
<u>From 1996-2002</u>			
Administration	-7.5%	-4.9%	1.5
Republicans*	-12.5%	-5.8%	2.2
<u>In 2002</u>			
Administration	-13.5%	-10.4%	1.3
Republicans*	-19.4%	-9.7%	2.0

*Republican percentages reflect midpoint of the range estimated for low-income reductions in discretionary programs.

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