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THE PRESIDENT HAS SEEN

5/21/96

THE WHITE HOUSE

WASHINGTON

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May 21, 1996

RECOMMENDED TELEPHONE CALL

TO:

Senator Ford

DATE:

May 21, 1996

RECOMMENDED BY:

John Hilley JH

PURPOSE:

To thank the Senator in advance for his support on the Senate floor this week.

BACKGROUND:

Senator Ford is one of eight Senators assigned to respond to Republican attacks on the Clinton Administration and Senate Democrats.

CONTACT PERSON AND
TELEPHONE NUMBER(S):

Senator Ford (202)224-4343

DATE OF SUBMISSION:

May 21, 1996

ACTION: _____

Plan talk

cc: [illegible] → [illegible]
182 THE PRESIDENT HAS SEEN
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CUTTING FRAUD THROUGH TECHNOLOGY, ENFORCEMENT

Short version:

We're cutting down on fraud and waste in the food stamp program by using electronic transfers, which improve enforcement and save money.

Expanded version:

The old way of handing out food stamps and other benefits lends itself to fraud and waste. Once given out, it's very hard to know if they're being used the way they were intended. By converting these programs to electronic transfers, the Clinton Administration is cutting costs, improving management and accountability, and improving enforcement. We'll be applying this same innovative use of technology to Medicare and Medicaid, clamping down on fraud and abuse, and ensuring better delivery of services to those who depend on it.

SAVING TAXPAYER DOLLARS ON PURCHASES

Short version:

Government paperwork added as much as \$50 to the price of even small items, like staplers, that can be found on the shelves of discount supply stores across the country. Clinton streamlined rules so that government won't pay \$54 for a \$4 stapler.

Expanded version:

When President Clinton and Vice President Gore took office, they found that most government purchases shared two common characteristics: they cost too much, and took too long to get. Government paperwork added as much as \$50 to the price of even small items, like staplers. Complicated government specifications added unnecessary time and expense to the purchase of items that could be found on the shelves of discount supply stores across the country.

The Clinton-Gore Administration won passage of two major procurement reform bills that cut out red tape, time, and cost in acquiring goods for the government -- the first overhaul of government purchasing rules in a decade. With the Administration's reforms, approximately \$12 billion in taxpayer money will be saved by the year 2000.

EPA PARTNERING TO PROTECT THE ENVIRONMENT

Short version:

EPA no longer views industry as the enemy. EPA now works with industry to achieve environmental goals.

Expanded version:

For years, EPA viewed industry as the enemy, and wasted a lot of time and money fighting them. Under the Clinton Administration, the EPA has focused on creating partnerships with industry to achieve environment goals more quickly and at less cost. As a result, EPA has been able to eliminate over a billion pounds of air pollutants by working with companies who volunteered to join the effort.

GETTING RID OF OBSOLETE PROGRAMS

Short version:

We've pressed Congress to cut out obsolete, wasteful spending, such as the \$120,000 federal tea taster.

Expanded version:

One of the problems with government is getting rid of old programs, even if they aren't needed anymore. That's why Congress kept funding a federal Tea Taster, who was paid \$120,000 a year. That's a lot of money for something we don't need. Under pressure from President Clinton, Congress finally got rid of it. The same is true of the 100-year old Interstate Commerce Commission, which regulated the robber barons as they expanded the railroads into the West, but hadn't served much of a purpose in recent times. Or the Travel and Tourism Administration, which spent taxpayer dollars to do a job that belonged in the private sector. Intact for years in spite of growing budgetary pressures, these obsolete offices have finally closed their doors.

HELPING SMALL BUSINESS

Short version:

We're helping small businesses spend more time creating new jobs and less time filling out government paperwork. And, we've seen record numbers of small businesses created in each of the last three years.

Expanded version:

Small business is the backbone of our economy. The Clinton-Gore Administration is changing government to serve the small business community better. For example, 15 years ago, the owners of Mama Joe's and Zeno's Pizza in Wichita Falls, Texas, had to fill out a 78 page government form and wait four weeks to get a Small Business loan. When they applied for a new loan in 1994, SBA had figured out what was really needed, and cut that form down to 1 page -- and they got the loan in 3 days. By getting smarter, the SBA is helping entrepreneurs spend less time on paperwork, and more time creating new jobs. It's one of the reasons we've seen record numbers of small businesses created in each of the last three years.

SERVING VETERANS BETTER

Short version:

Veterans Administration saved taxpayers \$1 million a year consolidating the purchasing system at 8 facilities. This saved money and served veterans better.

Expanded version:

In Milwaukee, the Veterans Administration consolidated the acquisitions systems of 8 local facilities. This increased their buying power and made them more efficient. As a result, the VA is saving taxpayers \$1 million a year, and serving veterans better.

CUTTING THROUGH THE RED TAPE

Short version:

One importer used to file 700,000 forms a year to comply with government requirements. Now they only have to file 1 a month, saving government and themselves time and money.

Expanded version:

An importer in Miami used to have to fill out 700,000 forms a year to comply with government regulations. Most of these forms were redundant, and served little purpose other than to tie the company in knots. With a little common sense, Customs figured out that they could consolidate the information on a single form. So now Greyhound Leisure fills out one form each month instead of 700,000 a year. That saves money twice - - it is saving the company \$300,000 a year and it is saving the taxpayers the cost of processing them.

GETTING RID OF RIDICULOUS REGULATIONS

Short version:

The Department of Defense used to pay lawyers to write and enforce rules on everything from baking cookies and cakes to requiring the Navy to buy phones that would keep working even if the ships sank. By getting rid of such nonsense, the Clinton Administration has eliminated nearly 6,000 procurement positions at the Defense Department, and is eliminating 16,000 pages of federal regulations.

Expanded version:

The Department of Defense used to pay lawyers to write and enforce rules on everything from baking cookies and cakes to requiring the Navy to buy phones that would keep working even if the ships sank. There was even a detailed regulation on how to test grits. By getting rid of such nonsense, the Clinton Administration has eliminated nearly 6,000 procurement positions at the Defense Department, and is eliminating 16,000 pages of federal regulations across the government. To keep these problems from coming back, the Administration secured passage of two major procurement reform laws, the first overhaul of federal purchasing rules in a decade.

PROTECTING WORKER SAFETY

Short version:

We're stopping the days OSHA would hit employers with costly but meaningless fines. Now they are working with responsible companies and their employees, and achieving the results Americans are after: protecting workers, and improving productivity.

Expanded version:

A few years ago, the Occupational Safety and Health Administration, OSHA, in Maine was getting awards for the amount of fines it was issuing to businesses. Unfortunately, they weren't reducing injury rates. Under Clinton Administration's reinvention efforts, OSHA has stopped issuing meaningless and costly fines, and is working in partnership with management and labor. The result: productivity is up, and injuries are down by a third.

Across the country, OSHA used to hand out more than 5,000 fines a year because companies didn't have the required safety posters. Now, OSHA gives them the posters instead of fining them, and concentrates on the real problems.

CUTTING WASHINGTON BUREAUCRACY

Short version:

Bureaucracy in Washington is too big. We're cutting it down, reducing headquarters at one agency from 2000 to 100.

Expanded version:

The bureaucracy in Washington is just too big. The Clinton Administration is working to change that. For example, the Interior Department restructured its Bureau of Reclamation, and cut ~~the Washington~~ ^{its} headquarters staff from 2,000 down to 100. In September 1993, the President directed the heads of every federal agency to cut layers of supervisors, and it's happened -- by streamlining management and giving more authority to front-line employees, they've already cut supervisory positions in the federal government by 23 percent.

INTERCEPTING MORE DRUGS

Short version:

Freed the Customs Service from red tape at Miami International and the amount of drugs seized increased by more than one-third.

Expanded version:

Miami is a key point of entry for illegal drugs coming from the Caribbean and Latin America. When the Clinton Administration freed up the Customs Service at Miami International Airport from the usual government red tape, the amount of heroin seized there went up by 51%, and cocaine by a third; at the same time, legitimate passengers are getting through faster.

SAVING TAXPAYER DOLLARS THROUGH REINVENTION

Short version:

Saved taxpayers \$15 million at Army's Red River Depot in Texas by cutting layers of management and increasing productivity.

Expanded version:

Under the Clinton Administration's reinvention effort, labor and management at the Army's Red River Depot in Texas cut layers of management, increased productivity, and saved taxpayers almost \$15 million.

MAKING AIR TRAVEL SAFER

Short version:

Cut the cost of new equipment for the air traffic control system by 25%, getting rid of red tape which was bogging down the Federal Aviation Administration.

Expanded version:

Bogged down by bureaucratic red tape, the Federal Aviation Administration's air traffic control system became outdated and inefficient. The Clinton Administration got Congress to approve reforms that will cut the cost of buying new equipment by 25%, and the time to get it in half. The result will be a safer air traffic control system with fewer delays for travelers.

ELIMINATING OUTDATED GOVERNMENT OFFICES

Short version:

Shutting down 1200 Agriculture Department field offices that were set up so that farmers could get there by horse.

Expanded version:

From the turn of the century, the Agriculture Department had 1200 field offices scattered throughout the country so that no farmer would be more than a day's horseback ride away. Even though few farmers have depended on horses to get where they're going in decades, the federal government never closed those 1200 field offices -- until President Clinton did, as part of his program to streamline government.

CUTTING GOVERNMENT DOWN TO SIZE

Short version:

By closing obsolete offices, eliminating layers of supervision and streamlining, we've reduced civilian workforce by 240,000, making it the smallest it's been since JFK was President.

Expanded version:

From the mid-1960's through 1992, over 300,000 people were added to the federal payroll. President Clinton turned that around. By eliminating layers of supervision, closing obsolete offices like these field offices, and through streamlining, President Clinton has been able to reduce the federal civilian workforce by 240,000 positions -- it's now the smallest it's been since John F. Kennedy was President.

ELIMINATING MANAGEMENT LAYERS

Short version:

Reduced cost of launching space shuttles by two-thirds while reducing 4000 management jobs.

Expanded version:

NASA had too many layers of management. As part of the Clinton Administration's streamlining efforts, NASA eliminated 4,000 jobs, has brought a greater focus to safety, and has the cost of launching the space shuttle by two-thirds, and the time it takes in half.

MAKING TAXES LESS TAXING

Short version:

This year, 3 million taxpayers filed over the phone, instead of wading through forms.

Expanded version:

This year, 3 million people who file simple tax returns took advantage of IRS' new program to let them file in minutes over the phone, and avoided wading through the old forms.

Bo Baer - FY

Be

THE PRESIDENT HAS SEEN
STAYING

From: Harold Kahane; Encounters
CHAPTER VII S.F. with Silence

God of the Living

Mr. President

Joining you in prayer
for all our loved ones

hw

5 May 1996

I should like to remember my dead to You, O Lord, all those who once belonged to me and have now left me. There are many of them, far too many to be taken in with one glance. If I am to pay my sad greeting to them all, I must, rather travel back in memory over the entire route of my life's long journey.

When I look back in this way, I see my life as a long highway filled by a column of marching men. Every moment someone breaks out of the line and goes off silently, without a word or wave of farewell, to be swiftly enwrapped in the darkness of the night stretching out on both sides of the road. The number of marchers gets steadily smaller and smaller, for the new men coming up to fill the ranks are really not marching in my column at all.

True, there are many others who travel the same road, but only a few are traveling with me. For the only ones making this pilgrimage with me are those with whom I set out together, the ones who were with me at the very

start of my journey to You, my God, the dear ones who were, and still are, close to my heart.

The others are mere companions of the road, who happen to be going the same way as I. Indeed there are many of them, and we all exchange greetings and help each other along. But the true procession of my life consists only of those bound together by real love, and this column grows ever shorter and more quiet, until one day I myself will have to break off from the line of march and leave without a word or wave of farewell, never more to return.

That's why my heart is now with them, with my loved ones who have taken their leave of me. There is no substitute for them; there are no others who can fill the vacancy when one of those whom I have really loved suddenly and unexpectedly departs and is with me no more. In true love no one can replace another, for true love loves the other person in that depth where he is uniquely and irreplaceably himself. And thus, as death has trodden roughly through my life, every one of the departed has taken a piece of my heart with him, and often enough my whole heart.

A strange thing happens to the man who really loves, for even before his own death his life becomes a life with the dead. Could a true lover ever forget his dead? When one has really loved, his forgetting is only apparent: he only *seems* to get over his grief. The quiet and composure he gradually regains are not a sign that things are as they were before, but a proof that his grief is ultimate and definitive. It shows that a piece of his own heart has really

died and is now with the living dead. This is the real reason he can weep no more.

Thus I am living now with the dead, with those who have gone before me into the dark night of death, where no man can work. But how can I really live with the dead? How can I continue to find life in the one bond left between us, the bond of our mutual love? Deign to answer me, O God, for You have called Yourself the God of the living and not of the dead. How can I live with them?

Of what use is it to say, as do the philosophers, that the dead still exist, that they live on? Are they with *me*? Since I loved them and still love them, I must be with them. But are they also with me?

They have gone away; they are silent. Not a word comes through from them; not a single sign of their gentle love and kindness comes to warm my heart. How awfully still the dead are, how *dead*! Do they want me to forget them, as one forgets a fleeting acquaintance he made on a train, a stranger with whom he once exchanged a few friendly but meaningless words?

If it's true that those who have departed in Your love have not really lost their life, but have had it transformed into eternal, limitless, superabundant life, why then do I perceive no sign? Why are they for me as if they were no more? Is the eternal light into which they have entered—which is Your light, my God—so feeble that its rays can't reach down to me? Must not only their bodies, but also their love depart from me, in order to be with You?

My question thus turns away from them to You, my God, for You want Yourself to be called the God of the living and not of the dead.

But why am I asking this of You? You are as silent to me as my dead. I love You too, as I love my dead, the quiet and distant ones who have entered into night. And yet not even You give me answer, when my loving heart calls upon You for a sign that You and Your Love are present to me. So how can I complain about my dead, when their silence is only the echo of Yours? Or can it be that Your silence is Your answer to my complaint about theirs?

That must be the way it is, since You are the last answer, even though incomprehensible, to all the questions of my heart. I know why You are silent: Your silence is the framework of my faith, the boundless space where my love finds the strength to believe in Your Love.

If it were all perfectly evident to me here on earth, if Your Love of me were so manifest that I could ask no more anxious questions about it, if You had made absolutely crystal clear the most important thing about me, namely, that I am someone loved by You, how then could I prove the daring courage and fidelity of my love? How could I even have such love? How could I lift myself up in the ecstasy of faith and charity, and transport myself out of this world into Your world, into Your Heart?

Your Love has hidden itself in silence, so that my love can reveal itself in faith. You have left me, so that I can discover You. If You were with me, then in my search for You I should always discover only myself. But I must go

out of myself, if I am to find You—and find You there, where You can be Yourself.

Since Your Love is infinite, it can abide only in Your Infinity; and since You will to manifest Your infinite Love to me, You have hidden it in my finiteness, where You issue Your call to me. My faith in You is nothing but the dark path in the night between the abandoned shack of my poor, dim earthly life and the brilliance of Your Eternity. And Your silence in this time of my pilgrimage is nothing but the earthly manifestation of the eternal word of Your Love.

That is how my dead imitate Your silence: they remain hidden from me because they have entered into Your Life. The words of their love no longer reach my ears, because they are conjoined with the jubilant song of Your endless Love. My dead live the unhampered and limitless Life that You live; they love with Your Love; and thus their life and their love no longer fit into the frail and narrow frame of my present existence. I live a dying life—*prolixitas mortis* is the Church's name for this life—so how can I expect to experience their eternal life, which knows no death?

And that is also the way they live for me. Their silence is their loudest call to me, because it is the echo of Your silence. Their voice speaks in unison with Yours, trying to make itself heard above the noisy tumult of our incessant activity, competing with the anxious protestations of mutual love with which we poor humans try to reassure each other. Against all this, their voice and Yours strive to enwrap us and all our words in Your eternal silence.

Thus Your word summons us to enter into Your Life. Thus You command us to abandon ourselves by the daring act of love which is faith, so that we may find our eternal home in Your Life. And thus I am called and commanded by the silence of my dead, who live Your Life and therefore speak Your word to me, the word of the God of Life, so far removed from my dying. They are silent because they live, just as we chatter so loudly to try to make ourselves forget that we are dying. Their silence is really their call to me, the assurance of their immortal love for me.

O silent God, God of the silent dead, living God of the living, who call to me through silence, O God of those who are silently summoning me to enter into Your Life, never let me forget my dead, my living. May my love and faithfulness to them be a pledge of my belief in You, the God of eternal life.

Let me not be deaf to the call of their silence, which is the surest and sincerest word of their love. May this word of theirs continue to accompany me, even after they have taken leave of me to enter into You, for thus their love comes all the closer to me. O my soul, never forget your dead, for they live. And the life they live, now unveiled in eternal light, is your own life, which will one day be revealed also in you.

O God of the living, may Your living not forget me, as I still walk in the valley of death. You have granted them everything, even Yourself; grant them this too, that their silence may become the most eloquent word of their

love for me. May it lead me home to the Kingdom they now possess, to the life and light they now enjoy.

My waning life is becoming more and more a life with the dead. I live more and more with those who have gone before me into the dark night where no man can work. By Your life-giving grace, O Lord, let it become ever more a life of faith in Your light, shining now dimly in this earthly night. Let me live with the living who have preceded me in the sign of faith, who have gone before me into the bright day of eternal life, when no man need work, because You Yourself are this day, the Fullness of all Reality, the God of the Living.

When I pray, "Grant them eternal rest, O Lord, and let Thy perpetual light shine upon them," let my words be only the echo of the prayer of love that they themselves are speaking for me in the silence of eternity: "O Lord, grant unto him, whom we love in Your Love now as never before, grant unto him after his life's struggle Your eternal rest, and let Your perpetual light shine also upon him, as it does upon us."

O my soul, never forget the dead. O God of all the living, do not forget me, the dead one, but come one day to be my life, as You are theirs.

THE PRESIDENT HAS SEEN
5/21/96

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shment in a five-man race for a
His television ads are fine. All or that
is good. But among insiders, the intelli
gentsia and those paying attention to the

Otherwise, his front-runnership and name
identification should suffice in the Demo
cratic race for Congress in the 2nd District.

John Brummett's column appears every Tuesday,
Thursday, Saturday and Sunday.

Clearing out boxes of memories

We are having a housecleaning at 8 Daven Court. It's not that the house is not clean. Norma is a neat freak. Even when we had three children at home, she kept a spotlessly clean house.

What is now being cleaned out and thrown away is the residue of our lifetimes—thousands of items that we once thought so important that we could not bring ourselves to throw them away.

We packed them in boxes, and we have carried them with us, some through all of the 10 moves we made during our marriage.

In recent years, the boxes have been stowed in the attic, in a storage building in the back yard, in a couple of storage buildings at Lake Norrell and in the loft of our lakeside cabin.

Boxes and boxes and boxes of stuff that is not likely to mean much to our heirs and most of which is likely to be treated as junk by those who must clean up after we depart for the Great Beyond.

Norma, who is not as sentimental as I am about mementos, has wanted to conduct this "housecleaning" for years. I reluctantly gave my consent recently because I realized while we were closing down my mother's house after her death that we had no use for and no sentimental attachment to most of the things she saved during her 86 years.

I figure our kids will feel the same way about our stuff.

There is one consolation as I throw away one tiny part of my life after another, and that is that, for a few weeks at least, the Little Rock Sanitation Department will have to earn the exorbitant fee it charges for hauling away our garbage.

I have been a pack rat since I was a tad.

John R. Starr



The only reason my memorabilia collection does not reach back to early childhood is that while I was in the Army, my mother, preparing to move from Pine Bluff to Memphis, threw away what I had collected in my youth. Included in the stuff that went to the garbageman was a collection of comic books that today would actually be worth what some of the Kennedy memorabilia sold for.

The only survivor of my mother's deprecations was a scrapbook of clippings about the basketball games of the Barraque Buckaroos, an independent team I played on. I still have it. Among the clippings is the first story I ever wrote for a newspaper.

I would still have the love letters I received while I was in the Army, but they disappeared shortly after I was married. I have always suspected that Norma, who did not write any of them, disposed of them.

Since Norma's purge, hardly anything was thrown away until the current "housecleaning" started some three weeks ago. The fact that we haven't made it through all the stuff in three weeks testifies as to how much of it there was.

Some of the stuff that surfaced, I did not remember putting away.

For example, we found the red spiral notebook on which I wrote columns in long-hand and then dictated them to the office, first in a hospital bed and later from home,

while I was recuperating from my first heart bypass operation in July of 1983.

The principal protagonist of several of those 1983 columns was one T. Franklin Robinson, also known as Captain Hot Dog, the champion headline grabber in the history of Arkansas. To the delight of his foes, and he had many, he is now only a rapidly fading memory.

I was stunned when a group of high school students did not recognize his name. In 1983, TR had 99 percent name recognition in Arkansas. To further illustrate how fleeting fame is, only a few of the kids remembered the *Arkansas Gazette*, which had 100 percent name recognition for more than 100 years.

A segment of one of the columns I scrawled in 1983 has an element of timeliness. It went like this:

Believe it or not, some are beginning to complain that Hillary Clinton, wife of the governor, is hurting him by her high visibility as chairman of the Education Standards Committee.

I suspect that these complaints come from the same folks who wailed in 1980 because Hillary used her maiden name in her law practice.

Most of these people didn't vote for Clinton in 1980, and they didn't vote for him in 1982, and they wouldn't vote for him in 1984 if Hillary dropped out of sight tomorrow.

Meanwhile, Mrs. Clinton is doing an excellent job as chairman of the Education Standards Committee, and most of us want her to hang in there.

John R. Starr is the former managing editor of the Democrat-Gazette. His column appears every Tuesday, Thursday, Saturday and Sunday.

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 5/21/96

TO: ELENA KAGAN

FROM: Staff Secretary

THE UNIVERSITY OF CHICAGO
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May 20, 1996

President William J. Clinton
The White House
Washington, D.C. 20530

Dear President Clinton:

I recently learned from a colleague that Elena Kagan may be under consideration for appointment as Assistant Attorney General for the Office of Legal Counsel. In the hope that this is true, I am writing to put in my two cents in support of her appointment.

I first met Elena some six years ago when I was Dean of the University of Chicago Law School and she was a young lawyer at Williams & Connolly. I had heard wonderful things about her from a variety of sources, including Ab Mikva, a graduate of Chicago, for whom Elena had clerked. I set about trying to recruit her to join the faculty. In our very first meeting, I saw in Elena all the qualities that Ab and others already had described -- she was a tough, independent, smart lawyer with a clear academic bent. After a year of cultivation, she joined the faculty in the fall of 1991. She has been a great success as a teacher, scholar and colleague.

Elena has focused most of her teaching in the fields of constitutional law, labor law and civil procedure. She is a rigorous, engaging and lively teacher. She demands the best from her students, and they delight in meeting her expectations. She probes, challenges and tests her students' assumptions, and she encourages them to challenge hers. From her very first course, she was regarded by the students as a simply brilliant teacher. Indeed, in only her third year on the faculty she received the Law School's annual award for Excellence in Teaching -- the first and only untenured member of the faculty ever to receive that honor.

Elena has also flourished as a scholar. Most of her research arises out of her interest in freedom of expression. Because this is also my field of study, I am intimately familiar with her work. In her short time on the faculty, she has completed two major articles, as well as several lesser pieces. In her first major work, published in *The Supreme Court Review*, Elena offered a careful, innovative and powerful analysis of the Court's decision in *R.A.V.* (the cross-burning case). In this article, Elena dissected the opinions of the Court and put forth an original and already influential reinterpretation of the central issue presented in the case.

In her second major work, soon to be published in *The University of Chicago Law Review*, Elena sets forth an ambitious and novel understanding of the Court's overall First Amendment jurisprudence. In this article, Elena surveys the entire corpus of First Amendment doctrine and demonstrates that most, if not all, of this doctrine can be explained by the Court's concern with improper governmental motivation -- that is, with its concern that laws regulating speech may consciously or unconsciously be the result of governmental favoritism for or hostility to particular ideas and viewpoints. This is an innovative and provocative thesis which persuasively challenges most of the accepted understandings of existing First Amendment jurisprudence. This article will inform and, indeed, shape academic and legal discourse about freedom of speech for years to come. On the basis of these articles, Elena was promoted last year to the rank of full Professor, with tenure.

It is important to understand that Elena is not one of those all-too-common legal scholars whose primary interest is in abstract theory, divorced from legal doctrine. To the contrary, Elena is a lawyer's scholar. She takes courts, precedents and doctrine seriously. She believes that law matters. She writes in the best tradition of Paul Freund, Harry Kalven and Thomas Emerson. I am confident that, when she returns to the Law School and again turns her energy and curiosity to scholarly research, she will emerge as one of the leading constitutional voices of her generation.

Finally, I should note that Elena is a valued colleague. In only a few short years she has come to be regarded as a central figure in the Law School's decision making structure. As Dean, I sought her advice regularly on a broad range of issues, including faculty appointments, student concerns and institutional policies. She is strikingly forthright, honest and direct. She has wisdom beyond her years, and always offers thoughtful and sensible advice. She listens. She is a person of integrity, independence and commitment to principle. I trust her completely, and I know that every one of my colleagues

President William J. Clinton
May 20, 1996
Page three

-- regardless of seniority or ideology -- shares that trust. It is thus no surprise that, when we speculate about the future, Elena is invariably mentioned as a possible future Dean of the Law School.

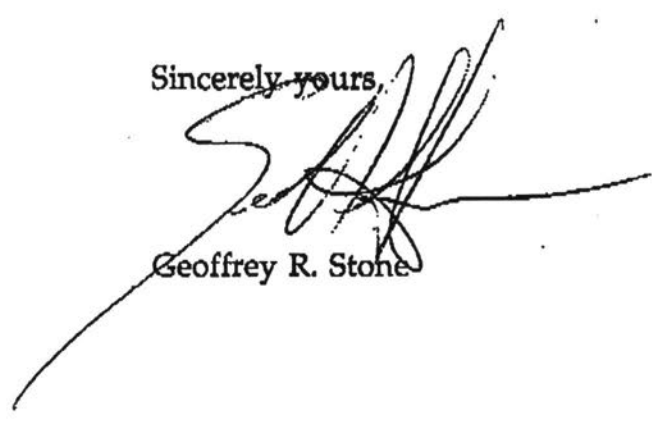
Last year, Ab Mikva -- borrowing back what he first "gave" us -- persuaded Elena to take a leave of absence from the faculty to join him in the office of Counsel to the President. I trust that Elena has performed well in that role, and that her colleagues in that office, as well as others who have worked with her in the past year, will confirm all I have said above.

Although Elena may be on the young side for the position under consideration, she is a truly remarkable person. She is a serious individual who cares deeply about the law, and she has the intellectual and personal skills to fulfill her responsibilities to the very highest degree. Although I would hate to see her remain away from the Law School any longer (I miss her), I am compelled in good conscience to recommend her enthusiastically and without qualification for the position of Assistant Attorney General for the Office of Legal Counsel. She would be a treasure.

If I can be of any further assistance in this matter, please feel free to call or write me at any time.

With warm best wishes.

Sincerely yours,



Geoffrey R. Stone

GRS:cm

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May 20, 1996

President Bill Clinton
The White House
Washington, D.C. 20500

Dear Mr. President:

I have heard that Elena Kagan, a professor at this law school now on leave at the White House, is a candidate for head of the Office of Legal Counsel. I write because I know Elena well and because I think she would be a wonderful choice.

Having worked at OLC in the early 1980s, I have a sense of the Office's functions and needs, and I think that Elena is unusually well-suited to the job. As a lawyer, she is both brilliant and entirely level-headed -- in academia at least, a fairly unusual combination of skills. When she approaches legal issues, she shows a lot of creativity and imagination, but she's also got outstanding judgment, real maturity, and a fine sense of proportion. It's perhaps unnecessary to say that despite her relative youth, she has a wide understanding of many areas of the law. Her work on the first amendment is a nice example; it takes a big step back from the law, organizes it wonderfully, and makes sense of a range of areas not normally grouped together. In fact she has a terrific head start on the questions with which OLC deals, and she's an amazingly fast learner.

Elena also deals wonderfully with people. She's one of the fairest and most decent people I know, and she is exceptionally well-liked and admired by a wide range of people at the law school -- moderates, conservatives, liberals, and everyone else. As a lawyer she's not at all "political," but she is very well-attuned to people and audiences, and she has a terrific sense what to say and when to say it. In fact she's established herself very quickly as the very best teacher at the law

school (I say this with some chagrin). I've also seen her in a range of administrative capacities, and she's an excellent leader. In fact she is widely regarded as a strong candidate to become the next Dean of this law school. From what I've seen, I imagine that she would deal very well with the Congress and with other potentially adversarial bodies. It helps that she has a terrific sense of humor and is extremely reluctant to treat other people as adversaries.

I'm sure that there are a number of excellent choices to head OLC, but as someone who knows Elena and the Office well, I hope you won't mind if I suggest that this would be a terrific match. Very best wishes.

Sincerely,

A handwritten signature in black ink, appearing to read 'Cass R. Sunstein', with a stylized flourish at the end.

Cass R. Sunstein



May 20, 1996

President William J. Clinton
The White House
Washington, D.C.

Dear Mr. President:

I've heard reports that Walter Dellinger's former position — head of the Office of Legal Counsel at the Department of Justice — might go to any of several people, and I hope you won't mind my imposing on you with my own views on the matter.

If the rumors I've heard are correct, Elena Kagan is not necessarily at the top of the current list to fill the position. Elena is a professor of constitutional law at the University of Chicago Law School who has taken a leave of absence to serve as an associate White House counsel. I had spoken to the Attorney General at an earlier stage of the process to tell her what I thought of Elena, and I hope the rumors I now hear are wrong. I know quite a lot about all of the people being discussed, and I think Elena is the one who clearly stands out as being genuinely capable of filling Walter Dellinger's shoes.

That's a hard task, because obviously Walter is an extraordinary person and has done a splendid job as head of the Office of Legal Counsel. I think the world of how well he's discharged that important duty.

Having known Elena since she was a student of mine quite some time ago and having watched her meteoric rise to tenure and her current position with Jack Quinn at the White House, I have to say that I am an enormous admirer of her intellectual and moral qualities. She is one of the most insightful constitutionalists of her generation. I have seen her work at close range, and her writing is always illuminating and imaginative. She has a degree of wisdom well beyond her years and a degree of judgment and maturity that is quite remarkable. Her views are thoughtful, moderate, and balanced, and she has no private agenda.

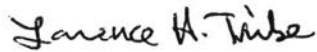
I'm sure that her time in the White House Counsel's office has given her valuable experience in the Administration. I have no doubt that she would discharge the challenging duties of the OLC position with extraordinary distinction and would be a truly knowledgeable source of advice on the sort of issues that Walter has handled so well. In

short, I think that the Attorney General couldn't have a better legal advisor.

At Harvard, we've been trying for some time now to persuade Elena to serve as a visiting Professor of Law. I think something has finally been tentatively arranged for 1997. But I hope that it will be delayed by Elena's tenure at the OLC.

Thank you very much for the opportunity to express my views.

Sincerely,

A handwritten signature in cursive script that reads "Laurence H. Tribe".

Laurence H. Tribe



HARVARD LAW SCHOOL
CAMBRIDGE · MASSACHUSETTS · 02138

MARTHA L. MINOW
Professor of Law

GRISWOLD 407
(617) 495-4276

May 21, 1996

President Bill Clinton
The White House
FAX: (202) 456-2215

Dear President Clinton:

I understand that the Office of Legal Counsel in the Department of Justice will be needing a new director, and I write to give the strongest recommendation for Elena Kagan, who currently serves on your White House counsel staff. On leave from the University of Chicago Law School, Ms. Kagan is one of the most talented lawyers in her generation. She was a student of mine here at the Harvard Law School, and set such a high standard for accomplishment that colleagues and I talk about talented students using her as the benchmark.

What makes her such a stand-out, I believe, is that she combines the kind of precise analytic rigor we expect from top-flight lawyers with a far more rare quality, good judgment. She has a capacity to see the big picture and to keep it in mind while holding on to all the particular details relevant to a problem. She well understands the multiple arenas in which consequences should be anticipated. She works well with a wide range of people and earns respect quickly. At the University of Chicago, she soared to the top of the students' evaluation of teachers within a short time after her arrival and she similarly impressed her colleagues who promptly placed her in positions of responsibility, such as the hiring committee.

Other qualified candidates surely exist, but it would be difficult to find anyone who combines truly unusual analytic prowess with the quite extraordinary qualities of integrity and good sense exhibited by Elena Kagan. I hope you select her to head OLC.

Sincerely,

Martha Minow
Professor of Law

Arkansas Game & Fish Commission

2 Natural Resources Drive Little Rock, Arkansas 72205



96 MAY 21 P 4 : 06

David E. Miller
Chairman
Melbourne

Dr. James E. Moore, Jr.
Vice Chairman
Little Rock

Kirk Dupps
Eureka Springs

W.R. "Witt" Stephens, Jr.
Little Rock

Steve N. Wilson
Director

May 10, 1996

Bill Bridgforth
Pine Bluff

Rick Evans
Calion

Marion McCollum
Stuttgart

Professor Dwight Talburt
University of Arkansas
Fayetteville

The Honorable William J. Clinton
President of the United States
The White House
1600 Pennsylvania Avenue
Washington, DC 20500-2000

To Jim Dorskind for
Reply?
yes _____
no _____

5.2.1996

Dear President Clinton:

We are writing in regards to the U. S. Department of Agriculture's recent action to open Conservation Reserve Program (CRP) lands to grazing and haying nationwide.

The Commission, along with the sportsmen of Arkansas respectfully requests the Administration to reconsider and reverse this decision. This action stands to pose major wildlife nesting and production problems across the nation. We expect substantial negative impacts to wildlife and millions of sportsmen.

Sportsmen, especially duck hunters, are likely to notice the difference this fall, when waterfowl numbers from the summer nesting grounds are far lower than predicted. CRP has proven to be a major benefit to waterfowl and played a major role in reversing declining populations. As you know, waterfowl hunting in Arkansas is a very popular recreational activity and adds millions of dollars to the Arkansas economy. Waterfowl, along with numerous wildlife species require undisturbed cover to nest and raise young successfully. Haying and grazing will destroy this component of wildlife habitat and reduce CRP's environmental value tremendously. It will also diminish the defensibility to the tax payers that pay the bill and have supported renewing CRP because of its conservation benefits. This situation places CRP in the arena of agricultural subsidies versus providing conservation and environmental protection for society.

On behalf of the Commission and the thousands of sportsmen in Arkansas, we ask you to reconsider the plan to release CRP acres for haying and grazing to protect the tremendous benefits this program provides to our nation and the environment.

Honorable William J. Clinton

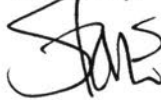
Page 2

May 10, 1996

The CRP is a public conservation program which is intended to provide public benefits, namely to soil, water, and wildlife resources. Mr. President, with this most important premise in mind, we again encourage you to reverse the decision to open these lands to such detrimental activities which we feel will result in lower public support and continue to place conservation at the bottom of the priority list at USDA. There has been hope among wildlife professionals all across the nation that with the new FARM BILL being laced with wildlife as a purpose, USDA was at last going to place wildlife as a co-equal with soil and water resources.

We remain tremendously thankful for your support of CRP in the new farm bill, and would welcome the opportunity to work with the Administration and USDA as it develops regulations to implement the new farm bill.

Cordially,

A handwritten signature in dark ink, appearing to read 'SNW', with a stylized flourish at the end.

Steve N. Wilson
Director

SNW:DL:mks

cc: Secretary Dan Glickman

ERWIN CAPITAL

96 MAY 21 A 8:00

*Patton has
not seen*

May 13, 1996

Ms. Nancy Hernreich
Personal Assistant to The President
The White House
1600 Pennsylvania Avenue
Washington, DC 200050

Dear Ms. Hernreich:

Mark Erwin asked that I forward the enclosed letter from State Senator Fountain Odom to you.
Would you please see that The President receives it.

Thank you for all your help.

Sincerely,



Sheila A. Wolven
Executive Assistant

Enclosure

5/21/96

Send to Marcia Hale for Appropriate
action? ☒

Yes ☒

No ☐

cc: Don't need to coordinate reply? ☒
Yes ☒ No ☐



North Carolina General Assembly
Senate Chamber
State Legislative Building
Raleigh 27601-2808

SENATOR FOUNTAIN ODOM
34TH DISTRICT
ROOM 300-B, LEGISLATIVE OFFICE BUILDING
TELEPHONE (919) 733-5707
FAX (919) 833-1058

BUSINESS ADDRESS:
1100 SOUTH TRYON STREET
CHARLOTTE, N.C. 28203
TELEPHONE (704) 372-4800

May 9, 1996

COMMITTEES:

CHAIR, BASE BUDGET
VICE CHAIR, JUDICIARY / CONSTITUTION
AGRICULTURE/ENVIRONMENT/NATURAL RESOURCES
APPROPRIATIONS
PENSIONS & RETIREMENT/INSURANCE/STATE PERSONNEL
TRANSPORTATION
WAYS AND MEANS

The Honorable William Clinton
President
The White House
Washington, NC 20500

Dear Mr. President:

The U.S. Environmental Protection Agency (EPA) is reviewing the National Ambient Air Quality Standard for ozone. Such a review is undertaken periodically to insure that EPA standards are protective of human health.

All one hundred counties of North Carolina are now designated as "in attainment"; for some that designation was received in the past few months. If the EPA adopts a more stringent standard, the newly redesignated counties back into nonattainment status and will add about 20 counties. These counties will then face new regulatory regimes for every activity from the recruiting of new industry to the fuels that are consumed by motorists.

The Charlotte area is the major crossroads of the southeast (I-85 and I-77) with literally tens of thousands of out-of-state non-inspected vehicles daily through our community. There are simpler and cheaper ways to achieve cleaner air for our people.

I urge the EPA retain the current standard that so many of us have worked hard to achieve and develop a program that requires all trucks using the interstate system to be subject to the current air emission standard.

Sincerely,

Fountain Odom

FO/dw

Keep up the good work. Our poll numbers are at 47% favorable. I believe you are a good thing.

through 8/26/96

Dear Bill,

D

F

While you were in Japan & Russia recently I was contacted by the White River Planning & Dev. District to see if we could get some help on our Floyd-Romance - El Paso Water project. I contacted your (Balderson) - Corp. ^{MTFMS} Chris Baldridge who put me in contact with John Romano, Dep. Admn. of the Rural Utility Service who is well versed on our project. Our proposal was fine except we had over 900 hookups and we are funded for 600. About 1.8 million more is needed and I understand this morning

Don't fund -
work. make
✓ / Balderson
& Counsel

T.

After talking to Theodore
Eldridge in our State ^D
Office that he got a call ^F
that there is money available
to more than cover our shortfall
at this time. This water project
is very much needed and if
you can help in any way
possible, it would be greatly
appreciated. I have a call
in to Chris Baldridge this
morning concerning this matter.

Give my love to Hillary
and I'm so proud of you
both as always

Dick

5/21/96

Send to WSC for Action?

Yes ☒

No ☐

C.

96 MAY 21 A 7 : 59

BAKER
&
HOSTETLER

(202) 861-1725

*Peter
has not
seen -*

May 17, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Frederick H. Graefe *FHG*

SUBJECT: Potential Korean Telecommunications Trade Sanctions

As we discussed last night, the Office of the United States Trade Representative is considering a number of sanctions which could be imposed against Korea if current negotiations for a telecommunications trade agreement prove unsuccessful. One option under consideration by the staff of the USTR would cause severe harm to an American telecommunications company.

We represent NextWave Telecom Inc., the San Diego-based company which bid over \$ 4 billion for Personal Communications Services (PCS) licenses in the auction recently held by the Federal Communications Commission. Although NextWave was formed less than a year ago, the company has already attracted over \$ 400 million in financing from American and foreign corporations. Foreign ownership of NextWave's capital stock does not exceed 25 %, in full compliance with federal law. Among the foreign investors are various Korean companies.

We have learned that the staff of the USTR is considering sanctioning Korea for its failure to comply with telecommunications trade agreements by asking the Federal Communications Commission to withhold the grant of PCS licenses to companies with Korean investments. Consideration of this proposal could cause incalculable harm to NextWave and other American companies that bid in the auction, as the mere possibility that the expected licensing process could be disrupted would create uncertainty among potential investors.

Furthermore, NextWave will use a digital technology called CDMA for its PCS system. CDMA was developed by Qualcomm, Inc., an American company based in San Diego. Last year, you awarded Dr. Irwin Mark Jacobs, the Chairman and Chief Executive Officer of Qualcomm, the National Medal for Technology for his development of new wireless communications technologies. CDMA will compete in the worldwide market against the European technology called GSM. The widespread adoption of CDMA in the United States and abroad will result in the creation of tens of thousands of good, high-paying jobs in the United States, particularly in California where this is a key defense conversion technology. Indeed, NextWave predicts that it will create over 50,000 jobs in the United States. If NextWave's PCS licenses are placed in jeopardy by the proposal of the staff of the USTR, then the potential for the creation of these jobs may be at risk as well.

While sanctions are an effective and appropriate tool if a country fails to comply with a trade agreement, blocking Korean investment in American PCS licensees will serve only to cause severe harm and further delay competition in wireless services in the United States. Other trade sanctions are available--sanctions that would not cause such harm to a single company--and those sanctions should be given full consideration.

THE WHITE HOUSE
WASHINGTON

May 21, 1996

MR. PRESIDENT:

Attached for your signature is a proposed Executive Order on empowerment contracting. Developed by the VP's office in consultation with the DPC, NEC, OMB, Commerce, HUD, Justice and the SBA, the order would direct the Secretary of Commerce to ensure that the Federal procurement system provide incentives to businesses that locate in economically distressed communities, or hire a significant number of residents from these communities. Appropriate incentives would include price or evaluation preferences when such preferences would promote the purpose of the order.

X The empowerment contracting program is a supplement, not a replacement, to existing Federal procurement programs targeted to minority businesses. The incentives will go to everyone who qualifies regardless of race or gender -- all those who locate their businesses in economically distressed areas or hire a significant number of residents from these communities. The goal is to create jobs in distressed areas, a theme you underscored in your affirmative action speech last July.

OMB and affected agencies approve of the EO, and the Vice President and your White House advisors recommend that you issue it today before DOJ rolls out the first phase of its procurement reform proposal tomorrow.

Todd Stern
Helen Howell

5/21/96
Leon / George

Don't want to
give this more
publicity - This was a
key part of our suggestion!

731

EXECUTIVE ORDER

- - - - -

EMPOWERMENT CONTRACTING

In order to promote economy and efficiency in Federal procurement, it is necessary to secure broad-based competition for Federal contracts. This broad competition is best achieved where there is an expansive pool of potential contractors capable of producing quality goods and services at competitive prices. A great and largely untapped opportunity for expanding the pool of such contractors can be found in this Nation's economically distressed communities.

Fostering growth of Federal contractors in economically distressed communities and ensuring that those contractors become viable businesses for the long term will promote economy and efficiency in Federal procurement and help to empower those communities. Fostering growth of long-term viable contractors will be promoted by offering appropriate incentives to qualified businesses.

Accordingly, by the authority vested in me as President by the Constitution and the laws of the United States, including section 486(a) of title 40, United States Code, and section 301 of title 3, United States Code, it is hereby ordered as follows:

Section 1. Policy. The purpose of this order is to strengthen the economy and to improve the efficiency of the Federal procurement system by encouraging business development that expands the industrial base and increases competition.

Sec. 2. Empowerment Contracting Program. In consultation with the Secretaries of the Departments of Housing and Urban Development, Labor, and Defense; the Administrator of General Services; the Administrator of the National Aeronautics and Space Administration; the Administrator of the Small Business Administration; and the Administrator for Federal Procurement Policy, the Secretary of the Department of Commerce shall develop policies and procedures to ensure that agencies, to

the extent permitted by law, grant qualified large businesses and qualified small businesses appropriate incentives to encourage business activity in areas of general economic distress, including a price or an evaluation credit, when assessing offers for government contracts in unrestricted competitions, where the incentives would promote the policy set forth in this order. In developing such policies and procedures, the Secretary shall consider the size of the qualified businesses.

Sec. 3. Monitoring and Evaluation. The Secretary shall:

- (a) monitor the implementation and operation of the policies and procedures developed in accordance with this order;
- (b) develop a process to ensure the proper administration of the program and to reduce the potential for fraud by the intended beneficiaries of the program;
- (c) develop principles and a process to evaluate the effectiveness of the policies and procedures developed in accordance with this order; and
- (d) by December 1 of each year, issue a report to the President on the status and effectiveness of the program.

Sec. 4. Implementation Guidelines. In implementing this order, the Secretary shall:

- (a) issue rules, regulations, and guidelines necessary to implement this order, including a requirement for the periodic review of the eligibility of qualified businesses and distressed areas;
- (b) draft all rules, regulations, and guidelines necessary to implement this order within 90 days of the date of this order; and
- (c) ensure that all policies and procedures and all rules, regulations, and guidelines adopted and implemented in accordance with this order minimize the administrative burden on affected agencies and the procurement process.

Sec. 5. Definitions. For purposes of this Executive order:

(a) "Agency" means any authority of the United States that is an "agency" under 44 U.S.C. 3502(1), other than those considered to be independent regulatory agencies, as defined in 44 U.S.C. 3502(10).

(b) "Area of general economic distress" shall be defined, for all urban and rural communities, as any census tract that has a poverty rate of at least 20 percent or any designated Federal Empowerment Zone, Supplemental Empowerment Zone, Enhanced Enterprise Community, or Enterprise Community. In addition, the Secretary may designate as an area of general economic distress any additional rural or Indian reservation area after considering the following factors:

- (1) Unemployment rate;
- (2) Degree of poverty;
- (3) Extent of outmigration; and
- (4) Rate of business formation and rate of business growth.

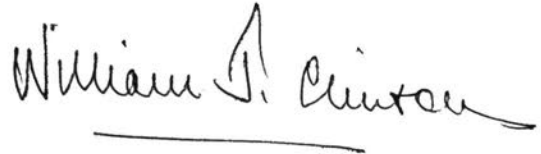
(c) "Qualified large business" means a large for-profit or not-for-profit trade or business that (1) employs a significant number of residents from the area of general economic distress; and (2) either has a significant physical presence in the area of general economic distress or has a direct impact on generating significant economic activity in the area of general economic distress.

(d) "Qualified small business" means a small for-profit or not-for-profit trade or business that (1) employs a significant number of residents from the area of general economic distress; (2) has a significant physical presence in the area of general economic distress; or (3) has a direct impact on generating significant economic activity in the area of general economic distress.

(e) "Secretary" means the Secretary of Commerce.

Sec. 6. Agency Authority. Nothing in this Executive order shall be construed as displacing the agencies' authority or responsibilities, as authorized by law, including specifically other programs designed to promote the development of small or disadvantaged businesses.

Sec. 7. Judicial Review. This Executive order does not create any right or benefit, substantive or procedural, enforceable at law or equity by a party against the United States, its agencies or instrumentalities, its officers or employees, or any other person.



THE WHITE HOUSE,

THE WHITE HOUSE

WASHINGTON THE PRESIDENT HAS SEEN

5/21/96

May 20, 1996

MR. PRESIDENT:

In the attached memo, **Jack Gibbons**, with the concurrence of the **Vice President**, requests that you initiate a review of Space Shuttle safety.

Over the past three years, NASA has made tremendous progress in reshaping the management and organizational structure of the Agency, including many changes within the Space Shuttle program. Although NASA has successfully maintained the safety and reliability of the system, Jack believes a review is warranted so that our efforts to improve and streamline do not create unacceptable risk.

The review will focus on the potential impact of recent management and organizational changes on safety, other safety related issues and proposed upgrades to the Space Shuttle. The review will be conducted by the Aerospace Safety Advisory Panel – a senior advisory board to the NASA Administrator operating under FACA – and is to be completed by August.

If you approve, Jack will ask Dan Goldin to initiate the Advisory Panel's safety review. **Tony Lake concurs in Jack's and the VP's recommendation.**

☒ Approve ☐ Disapprove ☐ Discuss

Todd Stern
Phil Caplan

THE WHITE HOUSE THE PRESIDENT HAS SEEN
WASHINGTON 5/21/96

April 30, 1996

96 MAY 1 AID: 21

MEMORANDUM FOR THE PRESIDENT *R*

THROUGH THE VICE PRESIDENT *AG*

FROM: JOHN H. GIBBONS *JH* ASSISTANT TO THE PRESIDENT FOR
SCIENCE AND TECHNOLOGY

SUBJECT: Review of Space Shuttle Safety

PURPOSE:

To initiate a review of Space Shuttle safety.

BACKGROUND:

Over the past three years, NASA has made tremendous progress in reshaping the management and organizational structure of the agency. Many of these changes have taken place within the Space Shuttle program, including consolidation of operations under a single contractor, downsizing the Shuttle workforce, and reducing costs of operations and management. To date, NASA has accomplished this while successfully maintaining safety and reliability of the system. Nevertheless, times of rapid change can produce risks as well as opportunities for advancement. I believe strongly that we must ensure that our efforts to improve and streamline the system do not inadvertently create unacceptable risk. For this reason, I would like to request your approval to ask Dan Goldin to initiate a review of issues associated with safe operation and management of the Space Shuttle program.

The review will be conducted by the Aerospace Safety Advisory Panel. The Panel was established by Congress after the Apollo command module fire in January 1967 and, operating under the Federal Advisory Committee Act, has served as a senior advisory board to the NASA Administrator. The review will focus on the potential impact of recent management and organizational changes on safety as well as other safety related issues such as flight rates and proposed upgrades to the Space Shuttle. The panel would complete the review by August 15, 1996, reporting the results, through NASA, to OSTP.

RECOMMENDATION

That you approve a review of Space Shuttle Safety which I will initiate through the enclosed letter (Tab 1) to NASA Administrator Goldin.

Approve *J*_____

Disapprove _____

Other _____

THE WHITE HOUSE

To: BC THE PRESIDENT HAS SEEN
5/21/96
From: MS -

These are the Q & A
that we answered
for you for the
gay publication,
The Advocate

Ms. 207

That's a good - necessary to copy
have been better & on mill issue
but probably been said the better -
Bx

THE PRESIDENT HAS SEEN

5/21/96

1. In 1992, you said to gay people "I have a vision and you are part of it." What is that vision in 1996 and how do gays and lesbians figure into it?

I have a vision of American in which every individual is valued and respected. As President, I have sought to promote inclusion and heighten public awareness in order to send a powerful message of equality and acceptance to people everywhere. Increased opportunity makes citizens more productive, building stronger communities and a stronger nation. I believe that we must continue to help people rise as far as their talents and determination can take them in order to make the most out of our great diversity.

2. You have been praised by gays and lesbians as the most "pro-gay" president in history. Yet there is also a profound sense of disappointment in the gay community because the expectations you set in 1992 were so high. What do you say to those gay voters who invested so much emotionally to your candidacy but who have felt let down?

We have truly accomplished a great deal during my Administration. We have also learned a lot about what we can do -- and how to get it done. My Administration has taken more steps than any previous in bringing the gay and lesbian communities to the table. I am proud of my record and it is a record to build on.

I remain dedicated to ending discrimination and to protecting the civil rights of every citizen in our society. I am proud that my Administration has more openly gay and lesbian individuals serving in appointed positions than in any previous Administration, and their impact, both in expertise and in efforts to advocate for the concerns of gay men and lesbians, is significant. We have increased AIDS funding, research, and educational outreach. I am the first President ever to endorse a gay and lesbian civil rights bill, the Employment Non-Discrimination Act. We have also opened the door for qualified gays and lesbians to receive top security clearances. I pledge to you that I will continue striving for greater education and compassion, working not simply to tolerate our differences, but to celebrate them.

3. What is your own personal comfort level with homosexuality? Is it one of tolerance or acceptance or something else?

I believe all Americans should be judged on their merits, not on their orientation. I strive to do this in my personal life. It was one of the most fundamental lessons that my mother taught me from a very early age -- to make decisions about people based on who they are, not what they are.

In public life, I have worked relentlessly to empower people who historically have been discriminated against based on race, class, gender, disability, or sexual orientation. I remain committed to achieving that goal.

Having grown up in a segregated society, I have always felt strongly that everyone who is willing to work hard and play by the rules should be allowed to participate in American life. My belief is that we don't have a person to waste. We should try to protect the rights of all our citizens to live up to the fullest of their capacities.

4. *What gay or lesbian person has had the biggest impact on your life and why?*

This is hard to answer because I know so many individuals, many of whom I brought into my Administration. Bruce Lehman, Roberta Achtenberg, Richard Socarides and Bob Hattoy, to name just a few, have all made valuable contributions. I've worked closely with Congressmen Barney Frank and Gerry Studds, and with Elizabeth Birch, of the Human Rights Campaign. I've had a long friendship with David Mixner, whose advice has meant a great deal to me over the years. In 1978 I was Governor of Arkansas and I hired Dr. Mike Rankin to be the state's mental health director, and he has become a good friend of mine. Today he serves as an outstanding member of my advisory council on HIV/AIDS.

5. *As a strong Baptist, do you have problems reconciling your religion's views on homosexuality with your personal beliefs?*

I have been blessed by having people of strong faith in my life and this faith is a major sustaining force and motivation. It is through my religious beliefs that I have learned compassion, tolerance and inclusion. Through prayer and Bible study I have learned that God's love is extended to all people.

6. *Jimmy Carter recently denounced how some religious and political leaders have embraced strong anti-gay views. And he said it must be made clear "that a platform of 'I hate gay men and women' is not a way to become president of the United States." Do you agree with Carter and do you intend to do anything to counter what he calls "obnoxious attitudes?"*

Yes, I believe that those who promote discrimination on the basis of sexual orientation or any other grounds are gravely mistaken about the values that make our nation strong. I will continue to move my Administration in the direction of compassion, acceptance and understanding.

The recent attempts by extremists in Congress to expel HIV positive servicemembers, regardless of their ability to serve, was a good example of what President Carter is saying. I'm very proud of the coalition my Administration built in our successful repeal effort. This provision was unconstitutional, served no military or public health policy and was just plain wrong. Once people understood this, we were able to have it repealed.

Jimmy Carter
1/20/80

7. *Perhaps your biggest accomplishment in the area of gay rights has been with changes in the federal workplace. Federal departments have written non-discrimination policies. Gays and lesbians are no longer denied security clearances. What do you feel is the long-term impact of these changes?*

These changes are important because they represent another step forward in making sure that all Americans can contribute and that everyone has a seat at the table. It's particularly important to open up the civil service fully, to ensure that the most capable people are not denied the opportunity to serve. These men and women in our government, and their work, will outlast any President.

8. *People still debate what happened with the gays in the military issue. Given a second term, would you revisit this topic? Is there a chance you might issue the executive order you promised in 1992?*

Few issues in recent times have spurred the kind of debate that has occurred since I pledged to change our nation's policy toward homosexuals in the military. I know that this is a sensitive and emotional issue for many people. And, as you know, many of these issues are being actively litigated in the federal courts. courts and it is probably best to let those cases run their course.

9. *If you had the chance to start over, only this time knowing the extent of the opposition to opening the military's doors to gays and lesbians, how would you approach the issue? What lessons did you learn from the fight?*

It's fair to say that I have thought a lot about this and that there are some things I think I should have done differently. I now believe that we needed to build a broader consensus on this important issue before moving forward. Sometimes change comes best when it is achieved through incremental steps.

10. *Do you believe gays and lesbians face the same kind of obstacles that other minority groups have confronted?*

No two groups, just as no two people, face the same obstacles. Although some are quite similar, the gay and lesbian communities are themselves diverse and encompass members of all minority communities. We all want liberty and freedom. We want the embrace of family and community. We want to make the most of our own lives. That is why I've always said that our great diversity is a source of strength to unite -- not divide -- our country.

11. *You have endorsed the Employment Non-Discrimination Act. Why do you feel this legislation is appropriate and necessary. Given a second term, will you actively push the Congress to pass it?*

I don't think it's right for employers to discriminate based on sexual orientation. Men and women in 42 states may now be fired from their jobs solely because of their sexual orientation, even though it has no bearing on their job performance. Those who face this kind of job discrimination have no legal recourse, in either our state or federal courts. This is wrong.

The Employment Non-Discrimination Act, for which I announced my support last fall, is designed to protect the rights of all Americans to participate in the job market without fear of unfair discrimination.

12. Why do you oppose same-sex marriage? Is there a chance you could reconsider?

I remain opposed to same sex marriage. I believe marriage is an institution for the union of a man and a woman. This has been my longstanding position and it is not being reviewed or reconsidered. I also strongly believe that issues relating to gays and lesbians should not be used to tear our communities apart. Even on the most difficult social issues we face, we must work together to find common ground. Every American deserves no less.

13. What about the slate of proposed laws to limit marriage between a man and a woman? Should Congress establish a national standard for marriage?

I am opposed to same sex marriage. If Congress enacts legislation, I will review it in light of that position.

14. Are there steps, such as changing the tax code or immigration laws or creating domestic partnership benefits for federal workers, that you believe the federal government should take to help gay couples?

I am aware that many communities and institutions are considering whether certain basic benefits can be provided outside the context of traditional marriage. The challenge in addressing these issues is to remain sensitive to the traditional values of our communities while preserving the fundamental right to live free from unjustified discrimination. In our country's history we have, for good reason, looked first to state and local governments, as well as the private sector, to consider issues like these involving community values and matters of conscience. I believe that these issues continue to be best resolved at this level of civil discourse.

15. An increasing number of gays and lesbians are having children, either biologically or through adoption. Is this trend acceptable to you? Is there anything government should do to encourage or discourage gay child rearing?

This question, with all due respect, misses the point. The most important thing is that children find themselves in loving, healthy and safe environments. State and local officials need to ensure that the best interests of the child are being served. That interest, not the interests of others, is paramount.

16. *Some parents object to teaching anything positive about homosexuality in the public schools. At the same time, some troubled teens kill themselves because of confusion over their sexuality. How far should the nation's schools go in discussing homosexuality?*

Our nation's educators have made great strides in how to deal with issues which affect our children in these rapidly changing times. Decisions about what is said and what is taught must be left to teachers, local school districts, parents, and students.

I am deeply troubled by the numbers of teen suicides, especially among gay and lesbian youth and of the rise in violence among all youth. Secretary Shalala's conference on gay and lesbian teen suicide brought this discussion to a national level and my Administration is continuing to work to find solutions to these complex problems. I recently met with a large number of people from throughout the country to discuss the issues of drug use and violence among teenagers. These discussions are very important and will continue.

17. *You spoke out against the slate of anti-gay initiatives that were popular in past elections yet your administration decided to sit out of the Supreme Court fight on the issue. How can you justify speaking out in one instance and then staying silent later?*

I've never stayed silent on this issue. I have continually stated my belief that those who would legalize discrimination on the basis of sexual orientation or any other grounds are gravely mistaken about the values that make our nation strong. The essential right to equality must not be denied by a ballot initiative or otherwise.

18. *AIDS continues to be a crisis in America. How has AIDS affected you personally?*

My Administration has worked hard to respond aggressively to the this epidemic creates. I'm proud of the fact that despite the enormous pressures of a zero-growth budget we have increased spending for AIDS research, prevention and care by more than 40 percent. We have approved a whole new class of AIDS drugs in record time and made sure that people living with HIV would have the means to pay for them. We have also more than doubled the funding for the Ryan White CARE Act, which brings high-quality medical care to hundreds of thousands of people every year. And we have preserved the Medicaid program, which provides health coverage for almost half of those Americans living with AIDS.

Every case of AIDS affects each of us and the future of our country because we are losing part of the next generation of leaders for our nation. Like many Americans, I have lost close friends and colleagues to AIDS and I keep them in mind as a potent reminder of the task we all face in eradicating this disease.

19. *Some AIDS activists say in one breath that you've done more than either of the two most recent Presidents to fight the disease and then in the next breath they criticize you for not doing enough or speaking out enough. Are both critiques accurate?*

We have done more, but we will not have done enough until there are no more infections, no new cases and no more deaths. Our first priority must be to find a cure for those living with

HIV and a vaccine for everyone else. We will continue to invest in research and keep our commitment to providing medical care to those living with HIV and AIDS. My Administration will continue to fight to preserve Medicare and Medicaid and to continue our investment in the Ryan White CARE Act. I have been frustrated by Congress' inability to approve the funds I have requested for the Centers for Disease Control and Prevention, and will continue to work to invest in prevention.

20. During the White House Conference on AIDS, speaker after speaker called for explicit AIDS education programs in the nation's schools that would be honest about transmission and education. How explicit should public schools be?

Decisions about what is said and what is taught must be left to local school districts, parents and students. Responsible education can help students protect themselves, while reducing the levels of fear and discrimination.

At the national level, we have done a great deal to support AIDS education. We have increased AIDS prevention funding by more than 20 percent, and have given power to communities through a community planning process that puts the decisions into the hands of local leaders. This past year we released a series of public service announcements that feature young people talking about their lives and their experience. There are strong indications that when young people hear from their peers they are more likely to take that advice to heart and make changes in their behavior.

21. Congress was stalled for many months on reauthorizing the Ryan White CARE Act. One reason was the debate over a proposal to test newborns for HIV. Is this a provision you can live with? What are your thoughts on mandatory HIV testing?

I was pleased to be able to sign a five-year reauthorization of the Ryan White CARE Act in May. Throughout those Congressional debates, I reminded the Speaker of the House and Senate Majority Leader of the importance of this program to people living with AIDS and HIV and their families. It was reassuring to see both houses reject the kind of divisive rhetoric adopted by Senator Helms.

We must all work to do whatever we can to reduce the number of infants born with HIV. The Public Health Service guidelines recommend that every pregnant woman be counseled by her doctor on the benefits of testing and, if she tests positive for HIV, that she be treated with AZT. Those guidelines are supported by all of the national medical and public health organization. We should all follow the advice of the experts, which is reflected in the final legislation.

22. What will a second Clinton term do to fight the war on AIDS?

First and foremost, we must continue the search for a cure and a vaccine. At the same time, we will continue the search for better treatments for people living with AIDS. No President can guarantee success in science, but we must marshal all of our resources, public and

private, towards this effort. We will keep working on prevention efforts. And we must preserve the Medicaid program. I will continue to stand up to efforts to dismantle this program by the Republican majority in Congress. This program is a lifeline of support for millions of Americans, including many people living with AIDS.

23. *Any final thoughts?*

There are, without question, real differences in the life experience and backgrounds of people who make up America, but there is also a rich fabric of shared experience -- of common problems, common hopes and fears, common ground. It is a matter of the utmost importance for our nation that all citizens expand that common ground, focusing more on what unites us than on what divides us. Just as important, our public discourse must help guide us down the path toward greater unity. I want to lead a nation that is coming together, not coming apart.

THE PRESIDENT HAS SEEN

5/21/96

THE WHITE HOUSE

WASHINGTON

96 MAY 14 P5:35

May 13, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: LEON E. PANETTA
CHIEF OF STAFF

SUBJECT: Welfare Initiative Regarding Teen Parents

In this week's Cabinet report, you noted concern that you had not yet signed an Executive Order implementing the teen parents welfare initiative announced during the May 4 radio address (note attached).

As the Secretary has the legal authority to implement this initiative, a simple directive -- rather than an Executive Order -- is all that is required to implement the initiative. Please find attached a copy of such directive directing Secretary Shalala to implement the teen parents initiative.

cc: Kitty Higgins

OUT-17
13

MAY 1996

**UNLESS WE ACT NOW, THE AGING OF AMERICA
WILL BECOME AN ECONOMIC PROBLEM THAT
DWARFS ALL OTHER NATIONAL ISSUES**

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a) on retributions
b) on the growth
agenda in frankfurt

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BY PETER G. PETERSON

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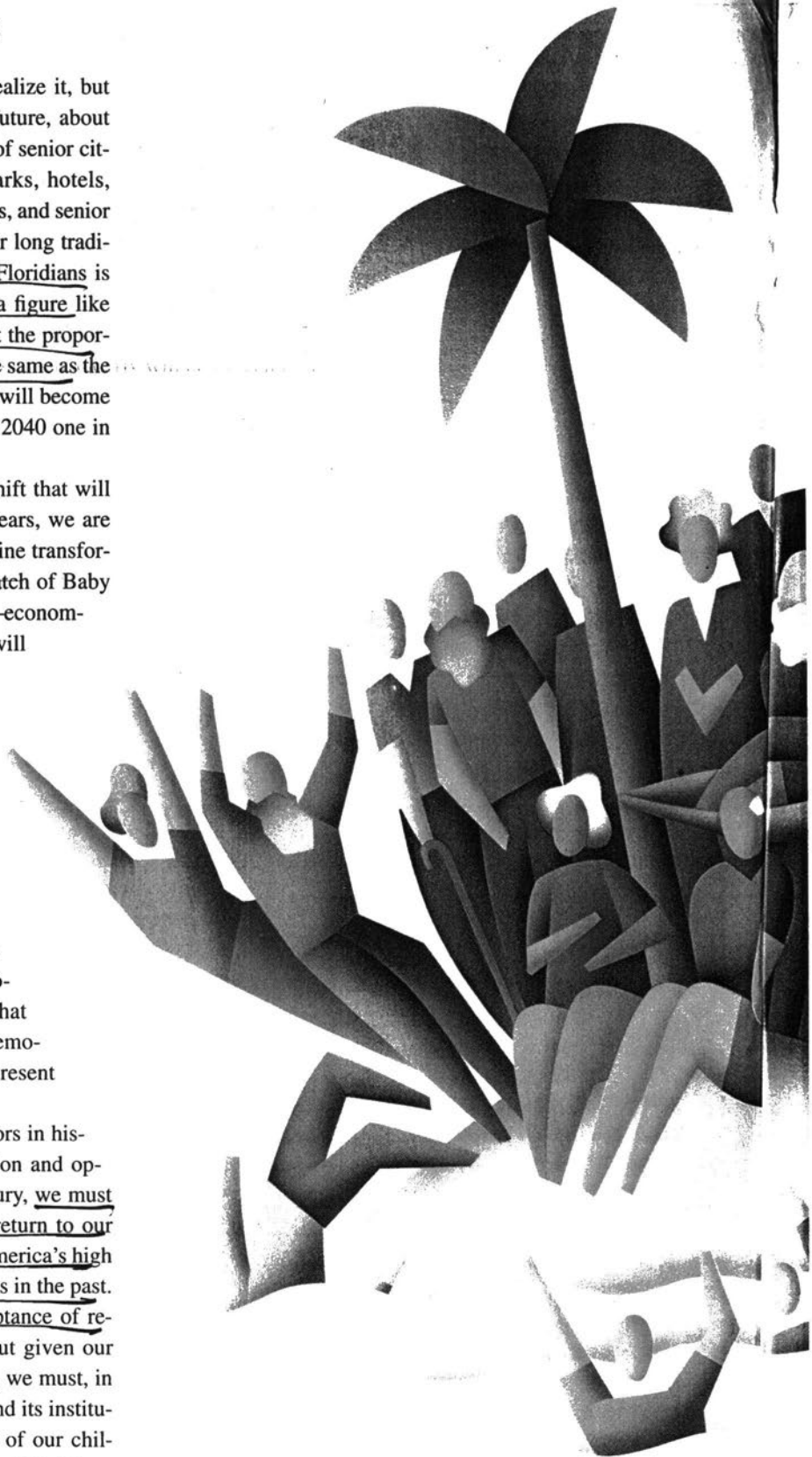
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BEEN to Florida lately? You may not realize it, but you have seen the future—America's future, about two decades from now. The gray wave of senior citizens that fills the state's streets, beaches, parks, hotels, shopping malls, hospitals, Social Security offices, and senior centers is, of course, an anomaly created by our long tradition of retiring to Florida. Nearly one in five Floridians is over sixty-five. But early in the next century a figure like that won't be exceptional. By 2025 at the latest the proportion of all Americans who are elderly will be the same as the proportion in Florida today. America, in effect, will become a nation of Floridas—and then keep aging. By 2040 one in four Americans may be over sixty-five.

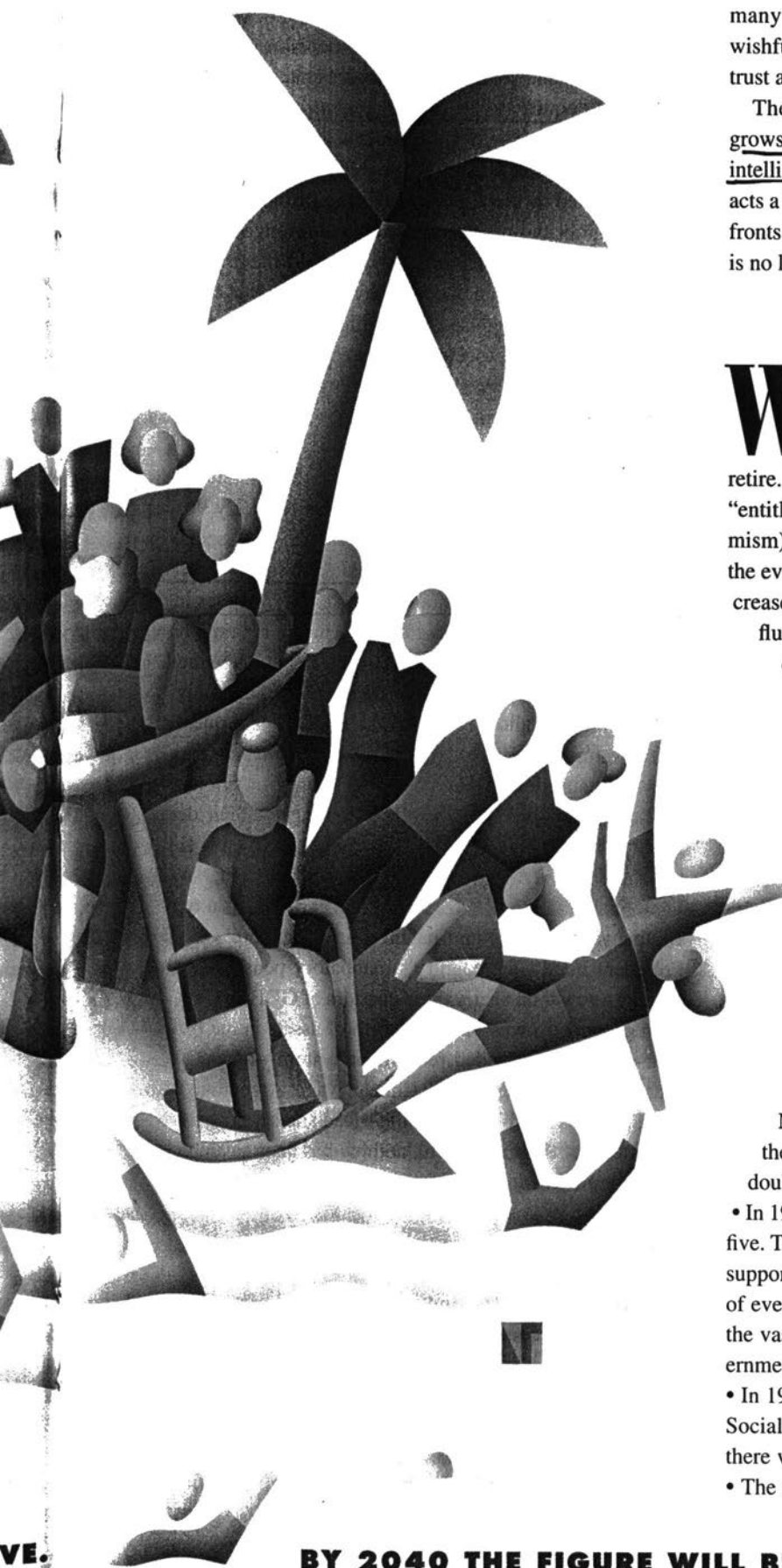
When we consider the great demographic shift that will shape our national future over the next fifty years, we are speaking not of a mere transition but of a genuine transformation. Just fifteen years from now the first batch of Baby Boomers will hit sixty-five, bringing changes—economic, political, social, cultural, and ethical—that will transform American society. This transformation will challenge the very core of our national psyche, which has always been predicated on fresh beginnings, childlike optimism, and aspiring new generations. How we cope with the cultural dimensions of this challenge I will leave to others—to sociologists, political scientists, historians, and philosophers. I am none of these. I am a businessman who has long participated in public debates over the political economy of rising living standards. What concerns me most about America's coming demographic transformation is simply this: on our present course we won't be able to afford it.

To provide for the largest generation of seniors in history while simultaneously investing in education and opportunity for the youth of the twenty-first century, we must reject the prevailing "entitlement ethic" and return to our former "endowment ethic," which generated America's high savings, high growth, and rising living standards in the past. Endowment implies "stewardship"—the acceptance of responsibility for the future of an institution. But given our current emphasis on individual self-fulfillment, we must, in addition to endowing the future of our nation and its institutions, endow our individual futures and those of our children, because no one else is going to do it for us. What I am talking about is *self-endowment*.

"Hope I die before I get old," The Who sang in their clas-



IN 1900 ONLY ONE IN TWENTY-FIVE AMERICANS WAS OVER SIXTY-FIVE.



sic sixties anthem, "My Generation." That statement, like so many slogans of the Baby Boomers' youth culture, was wishful thinking. The generation that once warned "Don't trust anyone over thirty" is now passing fifty.

The real question is, Will America grow up before it grows old? Will we make the needed transformation early, intelligently, and humanely, or procrastinate until delay exacts a huge price from those least able to afford it—and confronts us with an economic and political crisis to which there is no longer a win-win solution?

DEMOGRAPHICS IS DESTINY

WITHIN the next fifteen years the huge generation of Baby Boomers, whose parents brought them into the world with such optimism, will begin to retire. As they do, they will expect the munificent array of "entitlements" that were guaranteed (again with such optimism) to every retiring American with no anticipation of the ever-growing length of retirement as life expectancy increases or the ever-rising expectations of independence, affluence, health, and comfort of life in retirement. But consider who is expected to pay for this late-in-life consumption: the relatively small "bust" generation in whose productive capacity we have failed ~~to invest~~ Neither the founders of Social Security

sixty years ago nor the founders of Medicare thirty years ago imagined the demographic shape of America that will unfold over the next several decades.

Ponder the following:

- With 76 million members, the Baby Boom generation is more than half again as large as the previous generation. To get some idea of how much the number of seniors could grow by the time the youngest Baby Boomers turn seventy, think of the entire population of California and the New England states combined. Or think of it this way: the number of Social Security beneficiaries will at least double by the year 2040.
- In 1900 only one in twenty-five Americans was over sixty-five. The vast majority of these people were completely self-supporting or supported by their families. By 2040 one out of every four or five Americans will be over sixty-five, and the vast majority will be supported to some degree by government entitlements.
- In 1960 there were 5.1 taxpaying workers to support each Social Security beneficiary. Today there are 3.3. By 2040 there will be no more than 2.0—and perhaps as few as 1.6.
- The number of "young old" (sixty-five to sixty-nine) will

BY 2040 THE FIGURE WILL BE ONE IN FOUR OR FIVE.

roughly double over the next half century, but the number of "old old" (eighty-five and over) is expected to triple or quadruple—adding the equivalent of an entire New York City of over-eighty-five-year-olds to the population. Nearly three quarters of those over eighty-five will be single, divorced, or widowed—the groups most likely to need extensive government assistance.

- In 1970 children under five outnumbered Americans aged eighty-five and over by twelve to one. By 2040 the number of old old will equal the number of preschool children, according to some forecasts.
- The extraordinary growth of the old old population will add especially to federal health costs. This is because the average annual medical-care bill rises along a steep curve for older age groups. The ratio of Medicare and Medicaid spending on the old old to spending on the young old is about 2.5 to 1.
- In 2030 only about 15 percent of the over-sixty-five population will be nonwhite. But about 25 percent of younger Americans will be nonwhite. This will create a potentially explosive situation in which largely white senior Boomers will be increasingly reliant on overtaxed minority workers.
- In order to provide the same average number of years of retirement benefits in 2030 that were contemplated when Social Security was set up, in the 1930s, the retirement age would have to be raised from sixty-five to seventy-four by 2030. But this projection—daunting as it is—assumes that future gains in longevity will slow as average life expectancy approaches the supposed "natural limit" to the human life-span. Many experts now question whether such a limit really exists. Summing up research at the National Institute on Aging, the demographer James Vaupel goes so far as to suggest that we are now on the threshold of a "new paradigm of aging," in which the average life expectancy could reach 100 or more.

Of course, the United States is not the only country facing an "age wave." Indeed, the age waves in most industrial countries are approaching faster than ours, and—to judge by official projections—could have an even worse impact on their countries' economies and public budgets. But these other countries enjoy long-term defenses that we lack. Unlike the United States, most can actually budget their public spending on health care, and so have much greater control over this potentially explosive dimension of senior dependency. Unlike the United States, most generally tax public benefits as they do any other income. And unlike the United States, most have fairly healthy household savings rates (generally well over 10 percent of disposable income, as compared with about five percent here), and so can absorb public-sector deficits much better than we can.

Most important, unlike the United States, these other countries are unencumbered by the illusion that their people have some sort of inalienable right to live the last third of their adult lives in subsidized leisure. In other countries what

government gives can be taken back if doing so is deemed to be in the public's long-term interest. In 1986, when Japan enacted a major reduction in future pension benefits, the Ministry of Health and Welfare issued a concise justification that cited "equity between the generations." Few if any objections were heard. In a statement issued the day he assumed office, Japan's new Prime Minister, Ryutaro Hashimoto, referred to the "imminent arrival of our Aging Society" as a priority imperative. Citing much longer life-spans and a much reduced fertility rate, he told the Diet in his opening speech that Japan would have to "overhaul those social arrangements premised upon a life-span of twoscore and ten to suit our new expected life-span of fourscore." Do we recall any American President ever making such a statement at any point in his term, let alone in the equivalent of an inaugural address?

Australia has made employee pensions mandatory, increasing coverage from under 40 percent to nearly 90 percent of the work force. Iceland has means-tested its social-insurance system. Germany has enacted, and France, Sweden, Italy, and the United Kingdom are debating, increases in the retirement age. Some of these changes have provoked fierce controversy—or even widespread protest, as happened in France last winter. But the disagreement is almost always over how best to allocate public resources. No one questions that government has the right to reduce benefits.

Even many developing countries with populations still much younger than our own are preparing for their demographic future with astonishing resolution. In South Korea the household savings rate runs at about 35 percent; "Working to make a better life for the next generation" is a typical company motto. Account balances in Singapore's Central Provident Fund—the country's mandatory pension-savings system—now total nearly three quarters of GDP. In Chile the average worker owns \$21,000 worth of assets in the fifteen-year-old national funded retirement system—a sum about four times the average annual Chilean wage. Argentina, Peru, and Colombia are following Chile's lead and setting up funded systems of their own. Here, nothing has been saved in any national retirement system for any worker to own.

UNSUSTAINABLE PROMISES

THE economist—and sometime humorist—Herbert Stein once said, "If something is unsustainable, it tends to stop." Or, as the old adage advises, "If your horse dies, we suggest you dismount."

We cannot sustain the unsustainable. Nor can we finance the unfinanceable. By 2013, when Baby Boomers will be retiring en masse, the annual surplus of Social Security tax revenues over outlays will turn negative. By 2030, when all the Boomers will have reached sixty-five, Social Security alone will be running an annual cash deficit of \$766 billion.

If Medicare Hospital Insurance is included, and if both programs continue according to current law, the combined cash deficit that year will be \$1.7 trillion. The horse, in other words, will be quite dead. By 2040 the deficit will probably hit \$3.2 trillion, and by 2050, \$5.7 trillion. Even discounting inflation, the deficit that year for these two senior programs will come to approximately \$700 billion—four times the size of the entire 1996 federal deficit. Long before that time we will have had no choice but to dismount.

Wall Street has yet to react to these obviously unfinanceable numbers. When will it? Since financial markets try to anticipate events, the reaction will surely come years before the first Boomers start retiring on Social Security, in 2008. How severe will the reaction be? Should the markets conclude that America has lost any chance to deal with this challenge in advance, we will almost certainly see a full-scale economic emergency as interest rates roar into outer space.

Apologists for the status quo dismiss these numbers as "mere projections." So let me emphasize that the numbers I have used for Social Security and Medicare are *official* projections, calculated by federal actuaries and economists working for the Social Security and Health Care Financing Administrations. The same experts also calculate an alternate and much worse "high-cost" projection, which has historically proved to be more accurate than the forecasts I have used here. Moreover, the retirement and medical-care needs of the Boomer generation are by no means hypothetical. The Social Security Administration's former chief actuary A. Haeworth Robertson points out that fully 96 percent of senior benefits payable over the next seventy-five years will go to people who are already alive (and therefore countable) today.

Well, say the skeptics, if we can't borrow trillions of dollars, maybe we can raise taxes a bit and muddle through. But this isn't a viable option either. Let's start with the political fact that both parties in Washington are currently hawking a tax *cut*, though they disagree about its size. A tax increase is unmentionable. Then consider the magnitude of the tax increases we would need. By 2040 the cost of Social Security as a share of worker payroll is expected to rise from today's 11.5 percent to 17 or 22 percent—depending on whether you accept the official or the high-cost projection. Add both parts of Medicare, which currently cost the equivalent of 5.3 percent of payroll but are growing so rapidly that they will eventually overtake and surpass Social Security in size, and we're talking about 35 to 55 percent of every worker's paycheck before we even start to pay for the rest of what government does.

Obviously, tax increases of this size would destroy the economy. More to the point, they would kill the taxpayers. There is also the interesting question of whether American

taxpayers could be expected to comply with them. The experience of runaway pension systems in Latin America and Eastern Europe teaches us that when payroll taxes begin even to approach these levels, tax evasion becomes widespread and much of the economy moves into the tax-exempt "gray market." In other words, it may be impossible to fund the future cost of our current benefit promises no matter how willing we are to legislate higher tax rates.

The senior lobby asserts that whatever the economic consequences, future American workers are duty-bound to fulfill their side of an ill-defined "contract between generations." Yet one group's "earned right" to a benefit is another group's "unearned obligation" to pay a tax. It is to this second group that our children and grandchildren belong. Understandably, they are suspicious of a binding "contract" to which they never agreed. According to a 1994 poll, Americans under thirty-five are much more likely to believe in UFOs than to believe that they'll ever receive Social Security benefits.

There's an old adage about robbing Peter to pay Paul. In the entitlement shell game we're proposing to rob Peter Jr. to pay Peter Sr.—even when the Peter Sr. in question may not need the money. In fact, Peter Jr. is already paying plenty. Because so much of Social Security is tax-free (and because retirees no longer pay FICA taxes), a typical retired couple on Social Security in 1994 with \$30,000 in total cash income paid, on average, only \$790 in federal taxes. Meanwhile, their son and daughter-in-law, struggling to raise a child on the same income, had a total federal tax burden of \$7,035, if you include both the FICA tax they paid and that paid by their employers. No other industrial nation tilts its tax system away from the elderly—or tilts its benefits system toward the elderly—as much as the United States does.

The present system's true believers dress up Social Security and Medicare in the reassuring rhetoric of "insurance" and "pensions" and claim that beneficiaries are only getting back what they paid in. They're wrong. The majority of today's beneficiaries are getting back far more than they ever paid in FICA contributions: given an average life expectancy, the average one-earner couple retiring today will get about \$123,000 more out of Social Security than the average earner and his or her employers ever paid into it, plus interest. Omit the employer's contribution and calculate only the payback on the personal taxes paid by the employee, and the windfall rises to \$173,000. With Medicare thrown in it rises to nearly \$310,000, much of that tax-free. These are not "earned benefits" but unearned windfalls that our children will have to pay for and certainly will never enjoy themselves.

Moreover, since FICA contributions have never been saved by the federal government, the point is moot: regardless of what a worker paid in, the federal trust funds now possess on

that worker's behalf nothing but claims on future taxpayers. The term "trust fund" may suggest a vault in which one's Social Security taxes are stacked up, to be paid out later. But the Social Security "trust fund" is the ultimate fiscal oxymoron. Its "assets," which we are told will keep the system "solvent" until 2030, consist of nothing more than Treasury IOUs—claims against future generations. When it comes time to redeem these claims and the interest they have accumulated, where will the Treasury find the cash? Either by borrowing from the public or by raising taxes. Either way, absent any policy change future taxpayers will have to pay again for today's Social Security "surplus."

If the Social Security and Medicare balance sheets were evaluated according to private-sector accounting standards, both would be declared disastrously insolvent. How disastrously? Consider that the federal government has already promised to today's adults \$8.3 trillion in future Social Security benefits beyond the value of the taxes they have paid to date—a figure more than 250 times as great as the much-decried "unfunded liabilities" of *all* private-sector pension plans in America! If federal law required Congress to fund Social Security the way private pensions must be funded, the annual federal deficit would instantly rise by some \$675 billion. Add in our lavish and unfunded federal-employee pensions and the deficit would rise by \$800 billion. Add in Medicare and it would rise by more than \$1 trillion. If private-sector executives ran their pension systems this way, they would be thrown in jail for wholesale violation of federal pension-plan regulations.

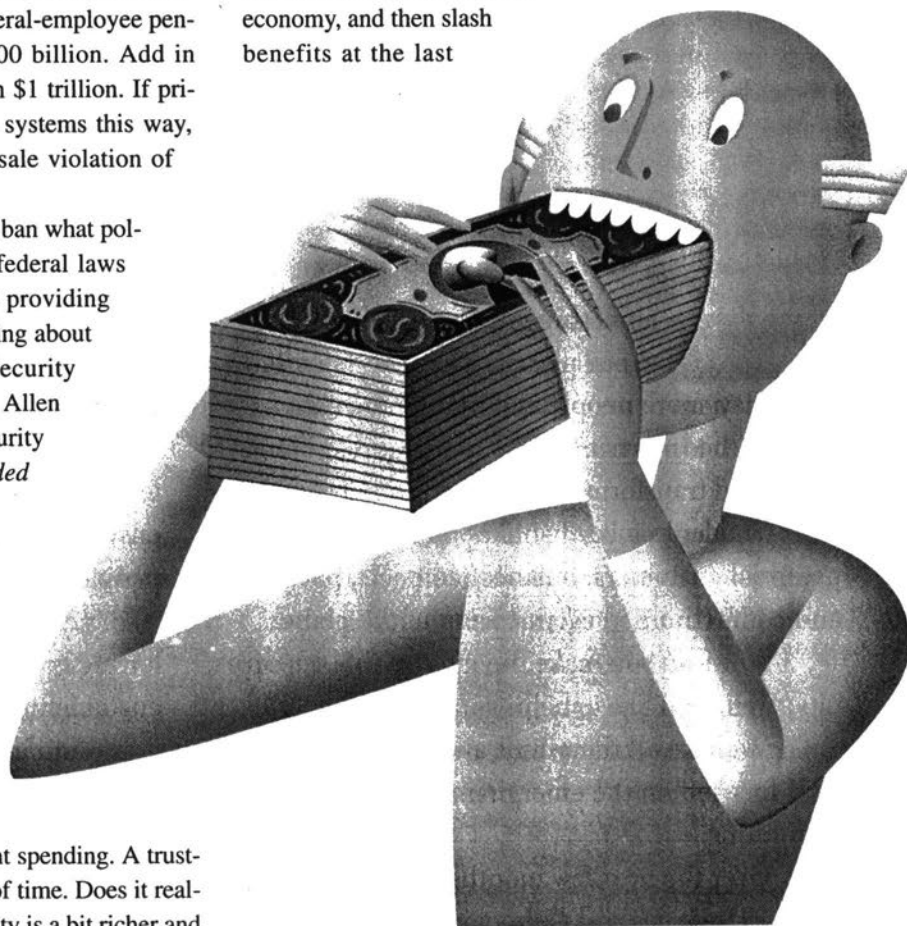
Meanwhile, Congress has attempted to ban what policy wonks call "unfunded mandates"—federal laws that impose costs on the states without providing funding for them. That's fine—but worrying about such mandates while ignoring Social Security and Medicare is like mistaking Woody Allen for Arnold Schwarzenegger. Social Security and Medicare are *the mother of all unfunded mandates*.

It's time to face up to the fact that trust-fund accounting is a hoax, that Social Security is in fact a pay-as-you-go system. Payroll taxes go directly to today's beneficiaries; benefits come directly from today's workers. Since FICA is a tax, and tax revenues are fungible, any annual surplus of FICA taxes over benefits is used to cover other government spending. A trust-fund ledger for such transfers is a waste of time. Does it really help anyone to know that Social Security is a bit richer and

the Treasury is a bit poorer? Given the apparent congressional appetite for constitutional amendments, why not consider one banning government trust funds?

As Federal Reserve Chairman Alan Greenspan has summed it up, the only bottom line that really counts is government's total borrowing balance with the public—otherwise known as the annual consolidated budget deficit or budget surplus. Transferring IOUs from the right pocket to the left pocket does nothing to bridge Social Security's and Medicare's enormous funding shortfall.

Along with this melancholy list of fiscal unsustainables we should consider some troubling moral unsustainables. Social Security was established to protect the elderly from indigence late in life—to prevent a "poverty-ridden old age," in the words of Franklin D. Roosevelt. If we allow it to go bankrupt by paying benefits to middle-class and affluent Americans, many of whom can live well enough without these benefits, what will happen to those who really need them? Among Social Security recipients whose incomes are under \$20,000, Social Security accounts for *more than half* of the total. In spite of this sobering dependence, many political leaders imply by their inaction that it's fine to wait until trillion-dollar deficits have devastated our economy, and then slash benefits at the last



minute. By doing so we would then deprive Americans at all income levels of the chance to plan for their futures. Millions of lower-income beneficiaries would be stranded in what might be called a demographic Depression, as the safety net that Social Security was enacted to provide suddenly vanished. Future historians may record that Social Security's "defenders" were the ones who most wanted to exempt the program from a balanced-budget amendment and thus from gradual and timely reform.

Paul Tsongas likes to say, "It's not enough for our children to love us. We should want them to respect us." When our children look into the Social Security trust fund and find nothing there but IOUs with their own names listed as payers, they will surely wonder how we could have treated them so shabbily.

THE INESCAPABLE BOTTOM LINE

NOTWITHSTANDING its strengths, real and imagined, the U.S. economy since the early 1970s has failed at what matters most: *raising productivity*. Why should the average American care about such a seemingly abstract concept? Because working longer hours—or putting everyone's spouse (or child) to work—is not the way to raise living standards. A higher standard of living means producing more while working the same or a lesser number of hours—in other words, being more productive. Only thus can real (after inflation) hourly compensation and take-home pay rise. The astute economist Paul Krugman once summed it up this way: "Productivity isn't everything, but in the long run it is almost everything. A country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker."

Since the early 1970s real national income per full-time worker (as calculated by the Commerce Department) has grown by approximately 0.4 percent a year. Total worker compensation has grown at about the same meager pace. This rate of growth is so low that a debate rages among economists over whether—after accounting for inflation and the rising costs of employer-paid health care—the typical U.S. worker has seen any perceptible wage growth since 1973.

We can no longer ignore what economists from Adam Smith to Karl Marx to Alfred Marshall to John Maynard Keynes to Paul Samuelson have insisted is the bottom line: sustained productivity growth requires investment, and no country can sustain high rates of investment without saving. These economists all understood that productivity growth depends on many underlying conditions, such as technological innovation and efficient markets, but they all agreed that capital accumulation is essential to productivity growth—and is, moreover, the one condition over which society can exercise direct control. Few experts disagree, especially when "capital"

is defined, as many economists define it, to include such intangible collective investments as infrastructure, research, education, and training. Yet we now face public budgets strained to the breaking point by the costs of demographic aging, which will crowd out all forms of capital accumulation—private and public, material and human. Without fundamental policy reform a graying America cannot be a saving America.

But thrift is precisely what we've forgotten. From an average of 8.1 percent of GDP in the 1960s, the net national savings rate dipped to 7.2 percent in the 1970s and then plunged to 3.9 percent in the 1980s and to 2.3 percent thus far in the 1990s. Net domestic investment has fallen in tandem, from 7.3 percent of GDP in the 1960s to 3.5 percent in the 1990s—a decline that would have been much steeper if we had not switched from investing abroad to borrowing abroad.

Our structural deficits drain our already shallow pool of private savings—and hence crowd out private investment. To the extent that we try to control these deficits by reducing "discretionary" federal spending (a category that includes most future-oriented programs), they also crowd out public investment. Out of every nondefense dollar the federal government now spends, only about five cents builds tangible things that remain after the fiscal year is over. Recently a General Accounting Office study suggested that we must invest \$112 billion to bring the infrastructure of schools back to acceptable levels. But where can we find such a sum when entitlements and interest on old debts crowd out everything else?

Long before the Boomers reach retirement age, we're preparing to cut everything from Head Start and school lunches to rapid transit and space shuttles in order to pay the rising cost of senior entitlements. Despite the radical rhetoric in Washington, the recent budget plans I have seen don't reverse but accelerate our current fiscal trajectory. Each of them proposes to slash appropriated domestic spending in real dollars while only gently restraining the growth in senior entitlements. Even in Congress's plan senior benefits in 2002 would consume still another record share of the budget—nearly 50 percent of noninterest outlays, up from 40 percent today and just 17 percent in 1965. This is in a benign demographic period, when the relatively small Depression generation (born before VJ Day) is still retiring and the relatively large Boomer generation (born after 1945) is still working and paying taxes. And remember: this is the *Republican* plan, widely attacked as a "declaration of war" on America's seniors.

To break out of this slow-growth, low-investment cycle we must set a higher productivity goal and then dedicate the resources required to meet it. A sensible objective would be to increase the rate of growth in real per-worker national income by a percentage point, from the post-1973 average of 0.4 to about 1.5 percent a year. Even this substantial increase would not equal American growth rates of the 1950s and 1960s, or match Japan's record during the 1970s and 1980s. But it would come close to returning U.S. productivity growth to its

average rate over the past century—and it would bring growth close to the rates of most of our European competitors. If we raise productivity to 1.5 percent, twenty years from now national income per worker would be nearly \$10,000 higher in today's dollars, and federal revenues (at the same tax rates) would be nearly \$400 billion higher, than will be the case if we continue on our current course.

Conventional economic theory suggests that this ambitious goal requires a shift of six to eight percent of GDP from consumption to savings, giving us a long-term savings and investment rate of about 10 percent of GDP. But where will these extra savings—an average of at least \$4,500 per U.S. household annually—come from? About a third can be financed by balancing the federal budget and keeping it balanced. The rest will have to come from greater private saving.

AMERICA'S SAVINGS GAP

THUS we come to what we Americans as individuals can and must do for ourselves and the nation—ichthyology from the standpoint of the fish. There are four main sources of income for those over the age of sixty-five: continued employment, government benefits, private pension income, and accumulated personal savings.



AMERICANS SEEM TO THINK THEY HAVE AN INALIENABLE RIGHT TO LIVE TH

As we shall see, the adequacy of each of these sources is uncertain.

When it comes to our retirement plans, we are a nation in denial. About nine out of ten Boomers say they want to retire at or before age sixty-five (about six out of ten before age sixty). More than two thirds say they will be able to live "where they want" and live "comfortably" throughout their retirement years. A stunning 71 percent expect to maintain in retirement a standard of living the same as or better than what they enjoyed during their working years.

Yet probe them more deeply about their retirement dreams, and most Boomers admit that they are terrified that neither they nor their government is saving enough. Some two thirds confess that they've never even calculated how much they need to save for their retirement, and an amazing 86 percent acknowledge that "future retirees will face a personal financial crisis 20 years from now." Yet at the same time, they do not expect or even want much from government. Nearly nine out of ten Boomers agree that "the government has made financial promises to [their] generation that it will not be able to keep." For every Boomer who says that government should shoulder the "main responsibility for providing retirement income," five say that individuals should. They will very likely get their wish. From all the numbers we have seen, it is obvious that government

retirement benefits (mainly Social Security, Medicare, and Medicaid) are likely to be severely reduced by the time most Boomers retire.

What could take their place? Thirty years ago experts hoped that private pensions would become a universal supplement to Social Security. Such hopes never panned out. Today less than half of all U.S. private-sector workers are covered by pensions. Overall coverage has been flat since the early 1970s, and in recent years coverage has actually dropped sharply for younger men. This stems from long-term changes in the work force and in the nature of work—part-time work, working at home, multiple careers. Rates of pension coverage have always been highest for full-time career jobs, unionized jobs, and jobs in government and large corporations—in short, for jobs that are becoming increasingly scarce. As for Americans lucky enough to have pensions, they will be surprised, if not seriously disappointed, by how little their plans have set aside for them: the typical defined-benefit pension plan for average-earning workers with thirty years of service replaces just one third of pre-retirement earnings—an amount that is not indexed for inflation.

Clearly, retiring Boomers will have to rely heavily on the remaining source of retirement income: private savings apart from pensions. But this source may be the most un-



median savings are still shy of \$10,000. Even optimists admit that a bleak future awaits the approximately one third of all Boomers who are expected neither to accumulate financial assets nor to receive a private pension.

Ironically, the Baby Boom is the best-educated, most sophisticated, most well-traveled generation in our history. This irony provides still another illustration of the depth of our denial.

B. Douglas Bernheim, of Stanford University, concludes that Boomers on average must *triple* their current saving if they want to enjoy an undiminished living standard in retirement. And if one assumes a 35 percent reduction in Social Security benefits (which seems more than likely if not inevitable), then Boomers will have to *quintuple* their saving. A recent study by the Committee for Economic Development, *Who Will Pay for Your Retirement? The Looming Crisis*, comes to a similarly stark conclusion.

If it's true that the promise of late-in-life government benefits helped to suppress private savings in the past, maybe the growing expectation of cuts in government benefits will help to boost private savings in the future. Though economic theorists debate the point, people do take government subsidies into account when deciding how much to save. By thirteen to one, households say that they would

VE THE LAST THIRD OF THEIR ADULT LIVES IN SUBSIDIZED LEISURE.

certain of all, for it is questionable whether the average American is saving *anything* on his own: what one household saves in a bank account or a nonpension mutual fund scarcely offsets what another household borrows. Whenever the stock market or housing prices rise, many households may feel that they're saving enough. But our aggregate personal-savings rate, except for pensions, is now barely positive.

Many have argued that the current bust is attributable to the passage of so many Baby Boomers through the years of household formation, and that saving will turn up again as Boomers reach the traditionally high-saving middle years. But for this explanation to be valid, the personal-savings rate should have bottomed out by the mid-1980s—and climbed back again. Many Boomers have already entered the traditionally peak saving years. But the savings decline persists, contrary to predictions of a demographic reversal.

In 1992, according to the Federal Reserve Board, 43 percent of U.S. families spent more than their income; only 30 percent accumulated assets for long-term saving. In 1993, according to a Merrill Lynch analysis of Census Bureau data, half of all families had less than \$1,000 in net financial assets—a figure that had not risen over the previous decade, even in nominal dollars. Among adults in their late fifties, the age at which workers are staring directly at retirement,

save more if they knew that future Social Security benefits were going to be cut.

Finally there is the prospect of inheritance, that magic cure-all for any generation's retirement worries. In recent years Boomers have been cheered by a spate of upbeat stories about the "\$10 trillion inheritance boom" that today's affluent seniors are expected to pass on. These Boomers may not have noticed the bumper stickers one sees in resort areas frequented by seniors: I'M SPENDING MY CHILDREN'S INHERITANCE. But even if the hoped-for hand-off takes place, there's a problem. Because this wealth is highly concentrated among relatively few families (what Donald Trump calls the "Lucky Sperm Club"), bequests may *average* as much as \$90,000 per Boomer but will amount to only about \$30,000 for the median Boomer. Muffy and Duffy will do fine, but for most of this generation the typical inheritance will just about cover the costs of settling Dad's estate and pay off a few lingering medical bills.

Dan Yankelovich, the dean of American opinion surveys, has wisely said that our collective denial is not due to emotional or moral pathology. Rather, it is a case of "cognitive denial," by which he means a failure to make connections between how we prefer to see reality and what reality actually is. Clearly, this denial is manifest at the national level and at the personal level.

PRAYING FOR PRODUCTIVITY AND OTHER GOOD THINGS

ARE there any favorable trends under way that might moderate these bleak forecasts? Perhaps. But there is less to them than meets the eye. First, consider productivity growth, which determines real wage growth and hence tomorrow's tax base. Those who preach that high tech will bail us out and that we can avoid saving and investing our way back to economic growth tell us not to worry: we're in the midst of a productivity revolution. But we have good reason to worry. For one thing, after the Commerce Department recently updated its methodology, it became clear that the much-touted productivity gains of the 1990s are just about typical of earlier business-cycle recoveries over the past twenty-five years. For another, the Social Security Administration's best estimate of future deficits presupposes a permanent one-third improvement in productivity over our actual historical record since 1973. In other words, productivity growth will have to accelerate simply to ensure that the future isn't worse than the SSA's already unsustainable official projection. It would have to accelerate still more to ensure that things turn out better.

Well, if the productivity revolution—at least as it is now unfolding—won't save us, maybe the new baby “boomlet” will. It's true that current fertility rates, of about 2.0 to 2.1 lifetime births per woman, are a bright spot when compared with the low rates of 1.7 to 1.9 recorded during the “birth dearth” of the 1970s and 1980s. But even if these higher fertility rates turn out to be lasting, they won't have much effect on federal tax revenues until the mid-2020s—long after fiscal meltdown is scheduled to occur. Even then the positive impact will be small. To stabilize the ratio of retirees to workers, U.S. fertility would have to surge to 3.0 or higher—in other words, back to the Baby Boom levels of the 1950s and early 1960s, which no one expects. For one thing, the share of American women who say that a family of four or more children is “ideal” has plummeted from nearly 50 percent to about 10 percent since the 1950s. For another, the United States already has one of the highest fertility rates in the developed world. Average fertility in other major industrial countries is now 1.6; in Germany and Italy it is 1.3.

Well, then, if not babies, what about immigrants? Isn't importing more young workers a viable solution to America's aging? Again, not really. Immigrants, too, eventually grow old—and thus begin adding to Social Security and Medicare costs. To make a substantial dent in the costs of America's aging, huge and destabilizing waves of immigration would be required. In fact, to cancel out the projected growth in the Social Security payroll-tax rate over the next half century, today's level of net immigration would have to roughly quintuple, to about five million a year, beginning now. The reality, of course, is that America is in no mood to reopen Ellis Island.

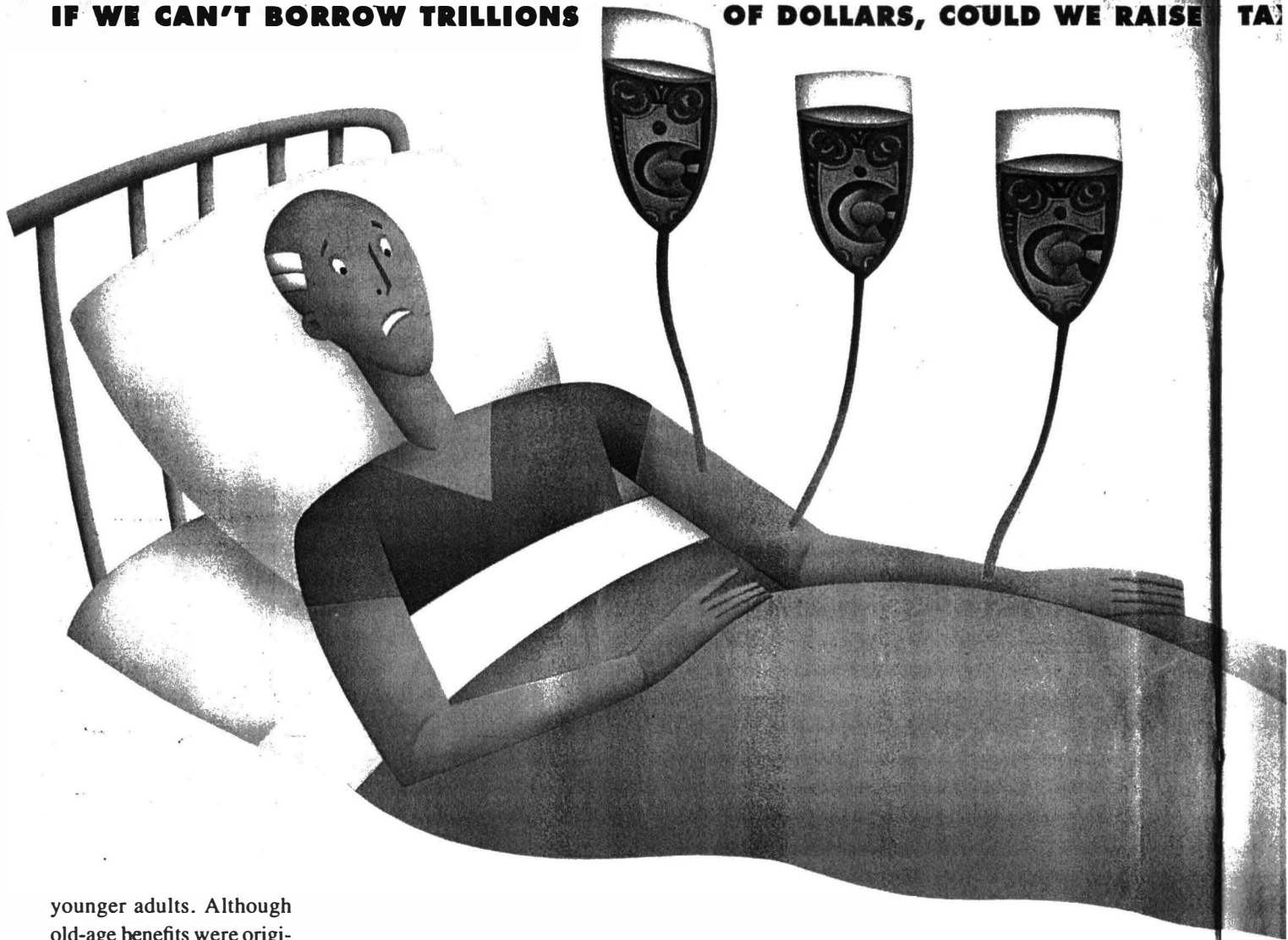
Finally, consider health-care spending. Some point to the recent slowdown in medical-price inflation (as measured by the Consumer Price Index) and conclude that our problem is behind us. Not so. First, what matters is total expenditures on health care, and thus far in the 1990s real federal health-benefit outlays have not slowed at all. Second (and once again), the bleak official projections already assume a dramatic turnaround in recent trends. Over the past quarter century real Medicare spending per beneficiary has increased at the rate of five percent a year—several times as fast as real per capita income growth. Over no five-year period since 1970 has the growth in spending been less than three percent a year. Yet the Health Care Financing Administration's official projection assumes that the growth in real per-beneficiary Medicare spending will slow to about one percent a year by 2020. This projected cost-containment “triumph” is timed to occur just as aging Baby Boomers begin to increase the demand for every imaginable health-care service.

So let's hope—or pray—for productivity gains, higher fertility rates, and market-imposed discipline on health-care costs. But let's not forget the rosy scenarios of the 1980s that never came true and the problems we never grew our way out of. Public policy must be based on prudent expectations about the future—and prudence suggests that on our current trajectory the future may be worse than the bleak official forecasts.

No matter how clearly Social Security actuaries tell us that financial trouble looms ahead, politicians on both sides of the aisle are convinced that “middle-class” entitlement programs constitute the “third rail” of American politics: “Touch it and you're toast.” So denial persists. It would be pleasant to blame this denial on Washington and say that the rest of us know better—that all we have to do is elect more-principled public servants who will dare to confront these issues. But the problem is interactive—the politicians and the people have all become gifted deniers.

Consider this irony: the public enthusiasm for budget balancing and cuts in “wasteful” programs is inversely proportional to the cost of those programs. Ninety-four percent of those polled in one recent survey favored slashing foreign aid, 77 percent wanted to cut public-housing funds, and 75 percent wanted to cut the space program. Yet these programs together make up only about three percent of the federal budget. Meanwhile, only 14 percent of respondents wanted to cut Social Security, and only 22 percent favored cutting Medicare. Yet these two programs together account for a staggering one third of the budget.

Or consider how we deny the truth about entitlement programs. In justifying every new benefit increase and every refusal to accept slower growth in expenditures for the elderly, the senior lobby talks as if “old” meant “poor.” But elderly Americans now have the highest level of per capita household wealth of any age group—and, counting in-kind income such as health benefits, a lower poverty rate than



younger adults. Although old-age benefits were originally intended to be a safety net for the truly needy, today's entitlement system more closely resembles a well-padded hammock for middle- and upper-class retirees. One third of Medicare benefits, nearly two fifths of Social Security benefits, and more than two thirds of federal pension benefits now go to households with incomes above the U.S. median. Back in the early 1960s the typical seventy-year-old consumed about 30 percent less (in dollars) than the typical thirty-year-old; today the typical seventy-year-old consumes nearly 20 percent more.

It is obvious that this senior affluence is not evenly distributed. Millions of seniors would be destitute without federal benefits. There is also no guarantee that this affluence will continue for future generations of elders, which is why Boomers must prepare for their own retirement now. Households that are not saving enough must confront and act on their retirement-income needs. In a recent study Public Agenda found that only 20 percent of U.S. households are "planners" who deliberately save toward a quantitative goal. The rest—"strugglers," "impulsives," and "deniers"—leave their future more or less to fate.

Younger Americans need to understand how great a change in saving behavior is required, but that this change will hardly be unbearable *if they start now*. Thanks to compound interest, even small sacrifices count. A recent study published in *Fortune* magazine found that if a couple at age forty decide to go out to dinner and a movie only twice a month instead of four times, and put the savings into a 401K plan, they will net \$169,500 for their retirement at sixty-five. Paying off credit-card bills when they come in instead of incurring finance charges will yield another \$121,400.

But if Boomers don't start providing personally for their retirement, then their golden years will hold nothing like the life of leisure that most of them seem to expect. In *The Retirement Myth*, Craig Karpel warns that the generation we met in the 1980s as "yuppies" may reappear around 2020 as "dumpies"—destitute, unprepared mature people wandering the streets with signs reading WILL WORK FOR MEDICINE.

COMING TRANSFORMATIONS

MODERN Americans are inverse Victorians. The Victorians, of course, were famous for their prudishness about sex. But they were loquacious in planning for their old age and eventual death. A dignified death and a proud cemetery site represented important social values. Their detailed wills were a boon to Britain's legal profession. We are just the opposite: We will talk to almost anyone and say almost anything about our sexual experiences. Yet we deal with aging and mortality as reluctantly as the Victorians dealt with sex.

Because we have difficulty talking about our collective aging, the social, cultural, and economic transformations that will be caused by it will come as a shock and a surprise to many of us. "Shake the windows and rattle the walls"

is what Bob Dylan wrote about Baby Boomers when they first came of age. My purpose in this essay is to suggest how aging Boomers might shake the windows and rattle the walls of our society one more time.

The Retirement Transformation

As recently as 1950 most men who were physically capable of doing so continued to work past the age of sixty-five; fully a third of those aged seventy and up were still in the labor force. Today just 16 percent of elderly men work. This trend toward early retirement is no longer affordable. Moreover, given the growing number of Americans who reach the late sixties and seventies in good health and with valuable skills, it is no longer enlightened social policy.

As Robert Butler, a former director of the National Institute on Aging, puts it, America must develop a new vision of "productive aging" in which "work expectancy" increases along with "life expectancy." We seek satisfying love and sex after sixty—why not satisfying work as well? The old idea of a rocking-chair retirement is dead, and it is time for the new idea of an active yet aimless and dependent retirement to die as well.

The open question is when and how this transformation will occur. Should we change the Social Security retirement age to sixty-eight? seventy? seventy-two? When will we tell those who will be affected, so that they can begin to adjust their life plans? And how will employers keep so many se-

niors on the payroll? What private-sector management and training programs will make senior employees more attractive? How are we going to change the perverse Social Security incentives that discourage seniors from remaining in (or re-entering) the work force? What jobs will best suit seniors who continue working, and how can we maximize their availability? How do we revamp traditional career patterns to allow for semi-retirement, phased retirement, and "un-retirement"?

The Health Transformation

On the eve of the New Deal all levels of government spent roughly \$1.00 annually on health care for the typical older American. By 1965 the figure had risen to roughly \$100, by 1975 to roughly \$1,000, and by 1995 to roughly \$7,000. Thirty years ago America spent more on national defense than it did on health care. Health care is expected to consume 18 percent of GDP by 2005—at least five times what we are likely to spend on defense. And that's before the special multipliers of the age wave—especially the huge growth in the old old, who are most likely to require extensive acute and chronic care—even begin to kick in.

Americans prefer to believe that high and rising health-care costs are primarily the result of waste, fraud, and abuse. If only we got rid of all the unnecessary tests and treatments, or slashed the excessive paperwork, or got tough on Medicaid cheats and profiteering drug companies, then presto, the problem would be solved. But experts know that the real causes are far more intractable: fabulous (and fabulously expensive) new medical technologies, cost-blind benefit and insurance systems that exempt most Americans from having to make choices about treatment, and the American tendency to disdain limits, including the ultimate limit—death itself.

Heirs of Ponce de León, in search of the Fountain of Youth? Perhaps that's too harsh. But no other country switches on multimillion-dollar MRI scanners for routine complaints (we have eight times as many MRI units per capita as Canada), commits terminally ill patients to intensive-care units, or performs heart bypasses on septuagenarians at anywhere near the rates we do. Americans, a European once observed, like to think everything is an option—even death.

The problem is that it is almost impossible to pinpoint aspects of our lavish style of medicine that are "wasteful" in the sense that they are of absolutely no medical benefit. Little of what physicians do is based on certain knowledge of the outcome; most involves judgment calls about unknown probabilities. Henry Aaron, the director of the economic-studies program for the Brookings Institution, speaks for most thoughtful observers when he writes that "sustained reductions in the growth of health-care spending can be achieved only if some beneficial care is denied to some people."

In the end the long gray wave will leave us no choice but to rethink what we mean by health. Is it a consumer good that can be purchased on demand at the doctor's office, or is it a lifelong investment? Should that investment be a personal choice, or should it be regarded as a public duty? How much should government be responsible for health care and how much should individuals? Most important, what share of public resources do we wish to spend on health care for ourselves, and how much do we wish to dedicate to such economic and social goals as productivity-enhancing R&D and a better education for our children?

No other transformation presents such profound ethical questions. Who will decide what costly heart transplants and similar death-defying high-tech operations are appropriate for the growing elderly population, especially the burgeoning old old group? When, and how, will society determine that even if an eighty-five-year-old can enjoy another year of life through an expensive high-tech intervention, this may be the wrong value to pursue—especially when so many children lack even basic health-care coverage?

The Youth Transformation

In an aging America everything will depend on the skills, education, productivity, and civic good will of younger generations—for their labor must support the elderly. Yet nothing seems less obvious than their capacity to rise to the challenge we are passing on to them. They will be relatively few in number. They will inherit a huge national debt and a high and rising payroll-tax burden. To make matters worse, many more of these future adults than today's adults are growing up in families, neighborhoods, and schools plagued by economic hardship and social dysfunction.

Since 1973 the real median income of households headed by adults aged sixty-five and over has risen by more than 25 percent, while the real median income of households under age thirty-five has fallen more than 10 percent. Counting all sources of income, poverty in America is three times as likely to afflict the very young as the very old. The United States is the global leader in the life expectancy of eighty-five-year-olds but has fallen near the bottom of the industrial world's rankings in rates of infant mortality, marital breakup, child poverty, child suicide, hours of school-assigned homework, and functional illiteracy. Meanwhile, per capita federal spending on the elderly towers eleven to one over federal spending on children. The appropriate response to the outrageous is to be outraged, yet we seem oblivious of this devastating disproportion.

How can we remain an economic superpower when nearly a third of our children are born out of wedlock and few of their fathers are willing to assume legal, financial, and moral responsibility for them? How will America prosper in a competitive technological and information-based global economy when its children grow up to exhibit school-dropout rates

and rates of functional illiteracy that are among the highest in the industrial world? How do we answer Senator Daniel Patrick Moynihan's haunting question: "Will we be the first species that forgets how to raise our young?" Or, to paraphrase Churchill, "Have we ever asked so much from so few, having done so little to prepare them for their burdens?"

We're talking not about physical capital but about human and social capital: the intact families, work habits, education, and high-tech skills upon which any hope of increasing productivity ultimately rests. If we are going to rely on just 1.6 to 2.0 workers to support every retiree, as the SSA forecasts suggest, we should want today's children to become the best educated, most skilled, and most productive citizens imaginable. How does that square with our current rush to cut discretionary spending and defund social programs, from Head Start to vocational schools, that have long provided education and training? How can we generate the funding and the political support to educate our young in today's overburdened economy? How can we make the twenty-first century the century for our children?

The Political Transformation

Today's seniors, represented by powerful lobbies and voting in disproportionate numbers compared with the young, are already a potent political force. Will the rapid growth in the number of elderly enthrone the senior lobby as an invincible political titan? Or will the young, who must pay for tomorrow's senior benefits, find their political voice while there's still time to do something about it? Averting a destructive conflict between the generations will require a political transformation. But how can the young be encouraged to participate more aggressively in the political process? How do we merge the public interests of young and old and show how dangerous it is for them to become adversaries?

The Global Transformation

I recently asked the head of Japan's Central Bank why Japan has resisted America's requests to cut its budget surplus and stimulate consumer demand. His immediate response was "Because Japan must save so that it can afford its coming retirement wave"—a warning that the abundant and relatively inexpensive supply of foreign capital we have depended on for many years may soon disappear. The banker's reply underscores the high priority that some other industrial nations assign to the economics of aging populations.

Americans have paid little attention, but since 1980 roughly a third of net U.S. domestic investment has been funded by foreign creditors. Although some have expressed concern over how these capital inflows must give rise to a permanent annual debt-service charge on our national income, virtually no one has pointed out a more alarming prospect: not that the inflows will continue but that they could slow substantially as aging populations in other industrial countries consume more

of their national income and savings at home. If America cannot boost its domestic savings rate within the next decade, we may enter an era of rising real interest rates, capital rationing, and a forcible curtailment of domestic investment.

There is also the issue of our relation to the less-developed world. When half the population in the United States is over forty, half the population in some emerging markets of Latin América and Asia may still be under twenty-five. Will the current distinction between rich and poor nations gradually come to be seen as a difference between old and young nations? Will the former be characterized by creative consumption, short time horizons, and the defense of the global status quo, while the latter, mainly in Asia and Latin America, become known for energetic investment, long time horizons, and revolutionary changes in the global balance of power? Will the newly democratizing economies of the former Soviet bloc be deprived of the foreign investment they need? Or, alternatively, will a high-saving Third World be exporting capital to a low-saving First World—an ironic turnabout of the policy recommendations of the 1970s? How will these demographic and economic shifts affect global institutions such as the United Nations, the OECD, and the World Trade Organization? Will they effectively address the myriad issues associated with the global age wave and enormous unfunded retirement liabilities?

TURNING AMERICA FROM CONSUMPTION AND DEFICITS TO SAVING AND INVESTMENT: WHAT NEEDS TO BE DONE

TO argue in favor of thrift is sometimes enough to earn one the label “declinist”—a person who believes that America’s best days may be over. This is not my view. Still, I want to explain why, if we do not face up to the economic and social challenges ahead, America will age prematurely and perhaps enter a precipitous decline. I do not believe it is un-American to suggest that we live in a finite world, that some desires can’t be satisfied, and that bad choices can lead to tragic outcomes. On the other hand, some good choices—eminently feasible, gradual, and humane choices—can provide a sound future for all of us.

In an era crowded with social “crises”—from race to class—it may seem presumptuous to say that here we have a “real” problem that deserves our full attention. But let there be no doubt: the economic implications of America’s aging population over the next several decades will dwarf, in sheer dollars, any other big issue one might name. Indeed, how we deal with the entitlement and savings crisis may determine how the other issues we face will ultimately play out.

If my analysis so far is correct, we are heading for a major crisis for which our society is unprepared. But our political

leaders cannot be expected to take this challenge seriously unless we as individuals do so as well. A program of thrift thus has to work on all fronts, from the halls of Congress to our homes. Here are some workable steps.

1. Achieve and guarantee long-term budget balance by the year 2002. A campaign to boost saving must start with the federal budget, which can no longer be a borrower but must be a saver. Of all the policy choices directly available to American voters, none would do a more reliable—and faster—job of raising the national savings rate than eliminating our chronic deficits. I believe that we should achieve budget balance no later than 2002—a date, happily, around which a bipartisan consensus has finally emerged, after considerable Republican pressure. The reforms we make, moreover, should, at least provisionally, guarantee long-term budget balance after 2002—not just temporary balance in 2002. *105*

The federal deficit is now 2.4 percent of GDP. Over the past thirty years the United States—along with every other major industrial nation—has repeatedly achieved this degree of public-sector deficit reduction in fewer than seven years. Moreover, since the federal deficit is projected to grow rapidly after the year 2002, a longer timetable would only make the long-term effort more difficult. Balancing the budget, starting now, is like running to catch a train that’s leaving the station. To catch it in two minutes we would have to run harder than we would to catch it in one minute.

Some experts worry that this is not the right time in the business cycle to initiate a balanced-budget plan. But according to these critics, it may never be the right time. So long as reforms are phased in gradually over seven years, there is little danger that a shift from consumption to saving will seriously depress the economy. Indeed, a credible budget plan might boost the economy if—as many economists, including Alan Greenspan, think likely—the markets react by lowering interest rates, particularly long-term rates, by two percent.

But mere budget balance is too timid a goal. Given the shortage of our national savings, I believe that Congress should aim for a federal budget surplus of perhaps one or two percent of GDP through the first two decades of the next century, to make up for our recent profligacy and, more important, to lay up stores during the Boomers’ peak earning years for the sudden burden that will accompany their retirement. Or, better, Congress could aim for a smaller surplus but substantially increase spending on targeted public investments in education, worker training, and research and development—the kind of human-infrastructure investment that is essential to an information-age economy, but in which we are now sorely deficient. Either way, we would radically change federal budgeting. We would no longer presume on the good will of our children but would demonstrate our good will toward them by moderating excess consumption, which makes us net takers, in favor of investment, which unites us as net givers.

2. Reform entitlement programs. Trying to achieve long-term budget balance without reforming entitlements is like trying to clean out the garage without removing the Winnebago. The following reforms, taken together, would put these programs in long-term sustainable balance well into the twenty-first century.

- Subject all federal benefits to an "affluence test." The first sensible step toward long-term budget balance is to scale back entitlement subsidies flowing to people who don't need them. To this end I recommend that we enact a comprehensive "affluence test" that would progressively reduce entitlement benefits to all households with incomes over \$40,000—or more than \$5,000 above the U.S. median household income for 1996. Households with lower incomes would retain all government benefits. The affluence test would be applied annually—protecting the elderly in the event of an unexpected loss of income. Higher-income households would lose 10 percent of all benefits that raised their income above \$40,000, and 10 percent for each additional \$10,000 in income. Thus a household with \$50,000 in total income and \$10,000 in federal benefits would lose \$1,000, or 10 percent of its benefits; a household with \$100,000 in income and the same \$10,000 in benefits would lose \$6,000, or 60 percent; a household with more than



WE MUST PUT ASIDE THE "ENTITLEMENT ETHIC" AND RETURN TO THE "EN

\$120,000 in income would lose \$8,500, or 85 percent—the maximum benefit-withholding rate. (This 15 percent exemption would ensure that even today's most affluent beneficiaries continue to enjoy a respectable tax-free return on their personal FICA contributions.) All income brackets would be indexed for inflation.

Because the test would leave in place all benefits to lower-income households, the original "floor-of-protection" intention of nearly all federal benefits programs would continue to apply. Because such a large share of entitlements now goes to middle- and upper-income Americans (nearly 40 percent of Social Security payments go to recipients with incomes above the U.S. median), savings would be large and would compound as the population aged and the number of beneficiaries grew. Indeed, it is estimated that by 2040 annual savings would amount to more than \$550 billion. Finally, because the test would also be comprehensive, covering not just Social Security and Medicare but everything from farm aid to federal pensions to veterans' benefits, this plan would not pit one special-interest constituency against another.

Since this affluence test was first proposed, in my book *Facing Up*, it has attracted considerable interest from both Democrats and Republicans. It has also elicited criticism from those who for various reasons don't want entitlements

reformed. Some have said that an affluence test would constitute a tax on savings, and thus would discourage thrift. There is no evidence to support this hypothesis. More important, it ignores the larger issue—which is how to increase national savings. Any decline in private saving caused by an affluence test would be dwarfed by the decline in benefit outlays—which in turn would translate dollar for dollar into smaller deficits and greater net national savings.

It has also been said that an affluence test would undermine public support for Social Security and other universal social-insurance programs. The theory seems to be that we must bribe the affluent in order to ensure political support for benefits for the needy. This is dead wrong. Of all major proposals to reform entitlements, affluence testing receives the greatest public support. According to a recent opinion poll by the Concord Coalition—a group that I helped to form in 1992, along with the former senators Warren Rudman and Paul Tsongas—67 percent of those asked would support reductions in Social Security benefits to higher-income households, and 77 percent would support reductions in Medicare benefits. Even majorities of older and of affluent households support such a reform.

- Raise the eligibility age for full benefits. Congress has already raised the Social Security full-benefit retirement age

from sixty-five to sixty-seven, to be phased in from 2000 to 2027. This is a step in the right direction (although most Americans are not aware of it), but the step is too small and too gradual. My recommendation is that the Social Security retirement age be raised by three months a year until a new eligibility age of seventy is reached in 2015—a phase-in that would leave Boomers plenty of time to plan ahead. In my view, early retirement should still be allowed at age sixty-two, but the benefits extended to early retirees should be reduced commensurately. When this reform had been entirely phased in, workers would still enjoy more years of full benefits than were envisioned when Social Security was founded. As Social Security's full-benefit eligibility age went up to seventy, so should Medicare's. Americans aged sixty-five to sixty-nine could still participate in the program, but only by paying extra premiums.

• *Set limits on federal health-benefit spending.* We must restructure health-care benefits to control federal health-care costs. Currently we offer fee-for-service reimbursement to all eligible comers, with few cost disincentives, and then surround the process with a thicket of regulatory controls. I propose that Medicare, Medicaid, and other health-benefit programs offer three choices: take a fixed-dollar voucher and use it toward the purchase of the health insurance of your choice; enroll in an accredited managed-care program that

duction for company-paid health-care insurance (which now amounts to a \$92 billion annual subsidy from the federal government). This wasteful and regressive deduction should be capped. Federal efforts to establish national health-practice guidelines for doctors, hospitals, and insurers should be encouraged. Although these standards would not be mandatory (patients or providers would still be free to spend their own money for services above the guidelines), they would give everyone a clearer idea of the cost-effectiveness of various treatment options—something all experts agree we lack.

Finally, we need to reduce the huge costs of “defensive medicine,” through malpractice reform, and of “heroic” intervention when recovery is highly unlikely. Medicare spends approximately 30 percent of its budget on patients in their last year of life—often when the attempt to prolong life merely prolongs a hospitalized death. Few Americans want to end their lives this way. A recent survey shows that 89 percent of Americans support the concept of living wills. Yet only nine percent actually have them. Until we launch a widespread educational effort, make enforceable living wills widely available at very low cost, and perhaps even provide financial incentives to maintain them, doctors will continue to perform costly and painful procedures on patients who do not (or would not) want them and who will die in a few days or weeks anyway.

“ENDOWMENT ETHIC,” ACCEPTING RESPONSIBILITY FOR THE FUTURE.

will then bill the government a fixed annual amount; or remain in the current fee-for-service system and face much greater co-payments and deductibles.

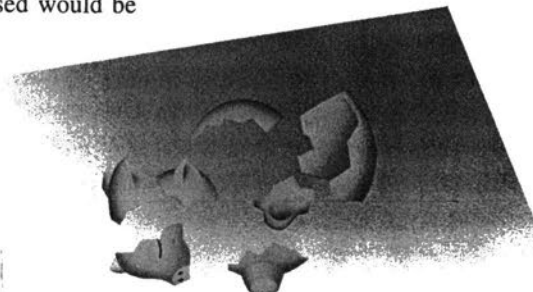
Any reform that seeks to introduce market discipline into our system of federal health benefits must give beneficiaries real incentives to be cost-conscious. Hence the greater co-payments and deductibles for those who choose the expensive fee-for-service option. The Medicare plan that Congress passed last year was all carrot and no stick. It gave beneficiaries the choice of enrolling in new kinds of managed-care plans, but would have imposed no penalty on those who opted to stay in traditional fee-for-service plans.

These measures would shift the task of cost control away from regulators and back to patients and providers, where it belongs. They would also allow Congress to live within a health-benefits budget, like the government of every other industrial country. As for the senior lobby's attachment to a “free choice of doctor” guarantee, voters must be reminded that a declining proportion of today's young workers—whose FICA taxes pay for much of Medicare—enjoy the full freedom of choice that was once common in American medicine. Most young workers consider themselves lucky if their employer pays for any health insurance at all.

Another prime candidate for reform is the unlimited tax de-

We should have no illusions about the future. Whatever reforms we implement, federal health-care costs are going to grow faster than our economy. This is one more reason why we must do everything possible to reduce growth in Social Security and other non-health-related programs.

3. *Extend working lives.* One of the best ways to reduce the crushing burden ahead is to encourage seniors to work longer—and make it easier for them to do so. This would require more than raising the age of eligibility for full benefits under Social Security and Medicare. To encourage longer working lives we should abolish the Social Security “earnings test” for beneficiaries who continue to work. (Let me stress that this reform must be implemented along with the affluence test I have described; a stand-alone aberration such as what Congress has recently proposed would be



an unearned windfall for senior-citizen CEOs like me.) Yes, there would be a small direct budget cost. But the benefits to the economy and to society, and to seniors themselves, of encouraging later retirement would be far more significant than the small increase in outlays.

The maturity, wisdom, and experience of older adults should not be lost to the workplace. This is a matter not just of combating age discrimination but of unlocking a powerful human resource. The market for jobs for which the elderly might be especially well suited should be explored: for example, full- and part-time service jobs in health care, child care, and various education and training efforts. It is time to do elders the honor of making their phase of life one of ongoing contribution—of genuine “generativity,” to use Erik Erikson’s classic description—as long as they are willing and able.

Not everyone, of course, is able to go on working. Richard Trumka, the president of the United Mine Workers, who recently served with me on the Kerrey-Danforth Commission on Entitlement and Tax Reform, warns that later retirement is simply not a realistic option for worn-out industrial laborers in physically demanding occupations. But such workers make up a small and shrinking share of the total labor force. Under my plan they would still have the option of early retirement (though with reduced benefits) and would be protected by federal Disability Insurance and Workers Compensation, not to mention the system of mandatory personal retirement accounts that I propose below. I would also use a small part of the savings achieved by raising the Social Security retirement age to lower eligibility ages and raise benefit levels under Supplemental Security Income, the means-tested floor of protection for the low-income elderly. In sum, we should encourage the elderly to work but not force work on those who are truly incapacitated. In any case, our national retirement policy should not be determined by the miner retiring at age sixty-two any more than by the police officer retiring at fifty-two or the athlete at forty-two.

4. Establish a system of mandatory pensions or personal retirement accounts. I have concluded—reluctantly—that a fully funded, privately managed, and portable system of personal retirement accounts should be mandatory. The system I envision would initially supplement Social Security—and over time might increasingly substitute for it. But Social Security would continue to provide a floor of protection to all Americans, albeit one subject to the limits of the affluence test described above. Governments around the world have tried to achieve both these objectives—retirement savings and poverty protection—in a single system. They have achieved neither efficiently.

Why mandatory? In 1993 C. Fred Bergsten, the chairman of the Competitiveness Policy Council (a publicly financed, bipartisan group), asked me to chair a committee on capital formation. An impressive group of the nation’s leading economists joined me in this effort. I had expected to hear

that certain tax favors for saving (IRAs, for example) would significantly increase net savings—that is, savings beyond the cost of the tax incentive that encourages them. I quickly learned otherwise. The net effect of many of these conventional incentives has been marginal, because much of the money deposited in IRAs is simply shifted out of other investments. When I asked how we might increase net savings significantly, one important area of agreement emerged: mandatory pensions or savings accounts covering the entire work force. In addition to boosting private saving, such plans—by making tomorrow’s retirees more self-sufficient—would allow us to reduce traditional Social Security gradually, thus reducing public dissaving as well. I am perfectly well aware of the libertarian argument that decisions about saving should be left entirely to individuals. The melancholy truth, however, is that many Americans are currently too myopic to save for the future unless compelled, and so end up becoming free-riders in the government safety net.

Why fully funded? First, to boost national savings. A funded retirement system would add to America’s capital stock; a pay-as-you-go system does not. Second, because the dynamics of pay-as-you-go financing have encouraged politicians around the world to promise benefits that can be paid for only by excessively high taxes on future generations. The only way to avoid that temptation is to make it clear to everyone that above some minimum safety net a worker’s future benefits will be determined solely by the resources that have been set aside for that worker, by some combination of employer contributions and the worker’s own savings. These pensions must be invested in diversified investment-grade assets and must be the worker’s personal property.

Why privately managed? A sound system of mandatory pension accounts must be publicly regulated to maintain fiduciary standards but should be privately managed to maximize returns. The evidence is overwhelming that publicly managed systems, which are often required to invest in low-return government securities, earn far less than privately managed accounts invested in the real economy.

Why portable? The new and fluid global economy, characterized by intense competition, rapid innovation, and relentless technological change, has made “lifetime employment” with one company rare. Instead making several major job changes in one’s lifetime—perhaps seven or eight for the average worker now in his or her twenties—is normal, and therefore many workers lack enough years of service in any one job to qualify for a pension. The plan I propose would vest all contributions immediately, and so workers could take their pension savings with them as they moved from job to job.

To provide adequate retirement income, these accounts would require substantial contributions. In my view, all workers (in some combination with employers) should be required to contribute four to six percent of their pay—which, added to FICA, would come to a total contribution of 16–18

percent of pay. As a point of comparison, Australia's new system of mandatory pensions will ultimately result in total contributions of 15 percent of pay. In the scheme I propose, workers would have the option of making additional voluntary tax-free contributions. Employers who currently provide pensions could divert their contributions to workers' savings accounts as well. The primary function of this system would be to finance retirement and survivors' benefits; in time it might also pay for long-term medical care.

Although mandatory pension contributions would be made in addition to current FICA payroll taxes, and thus would decrease the consumable portion of each paycheck, the system would be linked to the Social Security reforms described above—and this would prevent FICA taxes from rising to the alarming levels forecast for the next century. Eventually workers would be paying no more (and maybe substantially less) in combined FICA and savings contributions under my plan than they would be paying in FICA taxes alone in a status quo future. By putting more of our income into genuine savings today, we could relieve the crushing payroll-tax rates that unfunded public transfers will otherwise exact on workers tomorrow.

The reform I propose would also require that any current-year Social Security or Medicare cash surplus be transferred, on a pro rata basis, to workers' personal retirement accounts. This provision would be consistent with pay-as-you-go accounting. Meanwhile, workers would have a direct stake in reforms that constrain future growth in federal benefits. To the extent that Social Security declines as a share of payroll, a growing share of FICA taxes would automatically be transferred to workers' savings accounts. Let me repeat: My proposal is for a two-tiered system under which everyone would continue to receive Social Security benefits. But over time my proposal would also allow us to go a step further. As the savings in private retirement accounts built, the current universal Social Security system could be converted into a purer and much less costly floor of protection that paid out benefits only to the truly needy.

A mandatory savings plan would generate substantial net gains in household (and national) savings—and thus ultimately gains in productivity and living standards. For middle- and upper-income workers subject to the affluence test this system would at least make up for reduced government retirement benefits—and probably go much further. For lower-income workers, who are the least likely to save (either on their own or through pensions), it would vastly reduce the chances of a destitute retirement. Seniors who were beneath the affluence-test threshold would receive their private pension on top of full federal benefits. True, the deduction from wages would be a burden, but it's worth noting that because of the Earned Income Tax Credit, the existing FICA tax on many of the working poor is now entirely borne by the federal government.

Dismissed until recently as too "radical," "privatization" of Social Security has burst upon the scene over the past year. Major proposals are under development at half a dozen think tanks—left, right, and center. Privatization has been featured on the cover of *Time* and embraced by the presidential candidate Steve Forbes, and, in one form or another, is endorsed by seven out of thirteen members of the Administration's official Social Security Advisory Council.

My plan has elements in common with many of these proposals. Where it differs from most is that it would fully pay for the transition to a funded Social Security system—and would do so *without adding to the national debt and without new general-purpose taxes.*

The challenge is that a single generation must somehow pay for two retirements—its own and that of its parents. Some proposals simply ignore the challenge. Take Steve Forbes's plan to keep all benefits for current retirees intact and yet permit younger workers to shift a substantial share of their FICA contributions into personal retirement accounts. What his plan would add to private savings it would cancel out dollar for dollar by increasing the federal deficit. Other proposals would issue Treasury debt directly to Social Security beneficiaries in the amount of the system's accumulated liabilities. This, too, is a zero-sum game that will leave tomorrow's workers no better off than if we had never reformed the system. A few proposals, like that of the Social Security Advisory Council, are more honest. But to pay for the transition they would resort to large general-purpose tax increases.

My plan would pay for transition costs the old-fashioned way: not with smoke and mirrors but by taking the essential step of asking current beneficiaries and current workers to give something up—the former by forgoing some benefits, the latter by saving more. This would not be painless. The magic of compounded returns from the stock market and other long-term investments cannot solve all our problems. To save more, we must consume less, at least temporarily. This "transition cost" is the price of escaping the generational chain letter we have so far depended on.

5. Shift our tax base from income to consumption. In an aging society taxpayers should be penalized for what they take out of the economy (consume) as opposed to what they put in (save). I therefore propose that only "consumed income"—spending, that is—be taxed. It is true that by exempting savings from taxation this reform would narrow the tax base. On the other hand, it would also widen the base, by rendering taxable various forms of government-financed and -subsidized consumption—from Social Security benefits and the insurance value of Medicare to employer-paid health care—which today are partly or fully tax exempt. Tax rates thus need not be any higher than they are today.

Many will object that consumption taxes are regressive; but the consumed-income tax plan introduced by Senators Sam Nunn and Pete Domenici—in which the more one

spends, the higher one's tax rate—demonstrates that consumption taxes need not sacrifice the principle of progressivity, which I support. Moreover, without increased saving we cannot expect the real income of the typical American household to grow again—and without such growth the distribution of incomes will continue to widen. The zero-sum politics of economic stagnation will overwhelm whatever weak contribution to economic equality we might continue to derive from our current system of progressive income-tax rates.

We are currently bombarded with tax-reform proposals of every variety—from sales taxes to flat taxes. Some want to get rid of the Internal Revenue Service. Some want tax returns that can be filled out on a postcard. Who doesn't want simplicity? And who likes the IRS? But I would suggest a more important criterion for evaluating tax reforms: Which is most likely to increase net national savings?

6. Mount a broad-scale public-education effort to promote saving. National leaders must help to mobilize citizens by articulating a sense of moral imperative. A thrift plan needs a bully pulpit.

Can the right kind of education and exhortation make a difference? Consider Japan. Until the 1950s, when the country rallied behind a campaign to promote thrift, the Japanese were poor savers. Since then they've become famous for their saving. Or consider Singapore, whose Central Provident Fund has furnished much of the investment capital that has fueled Singapore's legendary economic growth—not to mention the savings that have enabled nine out of ten households to become homeowners. Or consider Chile and Australia, which have also established national pension systems based on the principles of full funding and portability. In each instance public education was crucial to securing public support. In Chile, for instance, José Piñera, then the Minister of Labor, went on national television, often weekly, to explain why the mandatory pension plan was such good news for Chileans.

In a society like our own, where grassroots consensus is so important to governance, public discussion and debate are all the more important. The problem is that for at least three decades leaders have been telling us that consumption, not savings, is the key to prosperity. The campaign in favor of consumption has worked—all too well. Now it's time for a different kind of campaign—one in which not only our political leaders but also our businesses, our universities, and our public-policy institutions must persuade Americans to adapt to the realities of our aging society.



THE FIRST STEP TOWARD LONG-TERM BUDGET BALANCE

IS TO



What we need most of all is a moral vision, a Middle-Class Bill of Responsibilities—not a gaggle of leaders falling over one another in their rush to propose a Middle-Class Bill of Rights, or the middle class silently rehearsing the mantra “We are not part of the problem and we need not be part of the solution.” Instead we must be encouraged to ask, What do we expect individuals and families to do for themselves, and what do we expect federal, state, or local governments to do for them? What are our responsibilities to our own children and grandchildren? How can we strengthen families so as to provide support for older people? What are our obligations as a nation to our collective progeny?

The manual for Germany’s social-security system looks, at first glance, a lot like our own—page after page describing the benefits due if one retires, is widowed, or loses one’s job. The most obvious difference is the generous benefits to German children. But there is a more striking contrast. For each benefit, alongside a box describing “Your Rights” is a box describing “Your Duties.” Citizens are thus reminded that society must always balance the payer against the payee, the future against the present. We need to find that balance again in our culture.

Why can’t the President call for a White House Conference on Aging different from the one held last year—not one that panders to the senior lobby but one that encourages serious dialogue between old and young? Why can’t the President call for a global summit at which the leading economies focus on reducing their tremendous and unsustainable unfunded liabilities, and at which developing economies with younger populations concentrate on avoiding the mistakes the industrial countries have made in providing old-age security?

Companies also have a major educational responsibility. With their human-resources and accounting departments, they are able to educate workers on the basics of saving—why they should save more, the power of compound interest, how to invest. They can also make it easier for their employees to save—through automatic salary deductions, 401K plans, stock-purchase and dividend-reinvestment plans.

Bringing our youth into the savings crusade is another key. John F. Kennedy once challenged us to ask not what our country can do for us but what we can do for our country. Today’s youth see the most conspicuous interest groups in our political system busily asking what the country can do

REDUCE ENTITLEMENTS FOR PEOPLE WHO DON'T NEED THEM.

for them. But who represents the future and the general interest? The young, alas, are the new silent majority. The demographer Samuel Preston once remarked apropos of the relentless growth in senior entitlements that the political system would behave a lot differently if people were forced to live their lives backward—that is, if they had to look forward to the burdens imposed upon youth as their own future.

I suggest that young people embark on dual careers—a private career and one as a citizen. As citizen lobbyists in behalf of the future, they are responsible for becoming informed about the debts they are going to assume, the unfunded liabilities they are going to pay for, and the unsustainable taxes they are going to bear. Once they are informed, perhaps America's youth will initiate an honest dialogue with their parents and grandparents, without assuming that their elders are greedy old fogies who don't care. My generation may be uninformed and even misinformed, but we do care about our children, our grandchildren, and our collective future. But if anyone is to create a general-interest lobby in behalf of the future, youth must lead the way.

If we expect our leaders to lead, the voters must make it safe for them to do so. The Concord Coalition is a bipartisan grassroots "lobby for the future," dedicated to breathing new life into the American Dream. The warm reception we have received from countless concerned citizens has rekindled my faith that we can still build a special interest in behalf of the general interest.

CONCLUSION

AND what of the special role for geezers like me? Pessimists say, "Forget it"—Americans will not reform senior benefits until a severe crisis is actually upon us, but will persist in viewing them as contractual obligations that by definition are always affordable. After all, an America that acknowledges limits is an America that has lost the one illusion that makes it unique and creative. According to this view, America must always be an unteachable force of nature that can never back away from any promise or expectation, no matter how extravagant. This, pessimists say, is why American voters repeatedly elect leaders who promise lower taxes, higher benefits, rejuvenated economic growth, and a magic bullet for every social problem—without caring how the pieces fit together.

But I have a more optimistic view. Two years ago I was interviewed by *60 Minutes* about the need to enact gradual but far-reaching structural reforms in federal entitlements for the elderly. The show's producers, after patiently taping my arguments, invited me to join them at a middle-class retirement community. Here, they said (with a few wry smiles), I could explain my suggestions to those who would be immediately affected.

Standing before this group of retired grandparents, I be-

gan by showing photographs of my own grandchildren. I explained my concerns about their future and the world they would inherit. I then reminded the retirees how much of our national affluence today rests on the willingness we had to make collective sacrifices during the Great Depression and the Second World War. Back then we felt that we were "all in this together" for the sake of tomorrow. I told them that the German theologian Dietrich Bonhoeffer said it best for us when he observed, at the height of the Second World War, "The ultimate test of a moral society is the kind of world that it leaves to its children."

Sooner or later, I told the retirees, we will have to prepare for the future. We will have to balance our public budgets, trim back benefits to those who need them least, save more as households, retire somewhat later from the work force, explore innovative means of economizing on health care, take a more effective public interest in the welfare of children, and offer the rising generation some tangible evidence that we are willing to make sacrifices in their behalf. If we do so sooner, we still have time to plan for a gradual and humane transformation. If we do so later, the changes are likely to be forced upon us, suddenly and painfully, in the midst of an economic, political, and family crisis that will leave the eventual outcome much in doubt.

Given all that, I asked them, if everything else were also put on the table and it really would lead to a balanced budget, how many of you would be willing to give up some share of your federal benefits, above what you need to live on, in order to ease the deficit burden on younger generations? To the visible surprise of the *60 Minutes* producers nearly everyone raised a hand.

The generation I was speaking to survived the Depression and fought and won the Second World War. After the war this generation provided its returned veterans with college educations, built the interstate highway system, eradicated polio, took us to the moon, and won the Cold War against communism. Against these monumental accomplishments what it would take to solve our current crisis seems small. I believe that this generation is capable of doing the right thing, and that politicians might well discover that it is better to appeal to their nobler instincts than to pander to their baser ones.

A people who have made a tradition of quick gratification must now be asked to focus on the requirements of a society graced with the patina of age—on saving rather than consumption, on prudence rather than desire, on collective restraint rather than individual satisfaction. As Americans grow older, they will have to recognize that the live-for-today attitude that may be endearing or at least understandable in youth is not just unseemly but ruinously dysfunctional at the far end of life. They would do well to heed the eighteenth-century French moralist Joseph Joubert, who warned, "The passions of the young are vices in the old." ☼

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 5-21

TO: Jack Quinn

FROM: Staff Secretary

Another letter
suggesting Elson,
True

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 3-21

TO: *Malvina Verveer*

FROM: Staff Secretary

Another letter
suggesting Elena.
Tad

DATE: 5-21

TO:

Ron Klein

FROM: Staff Secretary

Move Elena for
mail.

Todd



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May 21, 1996

President Bill Clinton
The White House
FAX: (202) 456-2215

Dear President Clinton:

I understand that the Office of Legal Counsel in the Department of Justice will be needing a new director, and I write to give the strongest recommendation for Elena Kagan, who currently serves on your White House counsel staff. On leave from the University of Chicago Law School, Ms. Kagan is one of the most talented lawyers in her generation. She was a student of mine here at the Harvard Law School, and set such a high standard for accomplishment that colleagues and I talk about talented students using her as the benchmark.

What makes her such a stand-out, I believe, is that she combines the kind of precise analytic rigor we expect from top-flight lawyers with a far more rare quality, good judgment. She has a capacity to see the big picture and to keep it in mind while holding on to all the particular details relevant to a problem. She well understands the multiple arenas in which consequences should be anticipated. She works well with a wide range of people and earns respect quickly. At the University of Chicago, she soared to the top of the students' evaluation of teachers within a short time after her arrival and she similarly impressed her colleagues who promptly placed her in positions of responsibility, such as the hiring committee.

Other qualified candidates surely exist, but it would be difficult to find anyone who combines truly unusual analytic prowess with the quite extraordinary qualities of integrity and good sense exhibited by Elena Kagan. I hope you select her to head OLC.

Sincerely,

Martha Minow
Professor of Law