

② Met in U.S.
Need him reply

THE PRESIDENT HAS SEEN
1-5-98

Mrs. Bill Clinton,
President of the U.S.A.,
St. Thomas

1-5-98

To Burkhardt for reply
after you have seen.

NICHOLAS J. KEARNS S.C.

22 ORWELL PARK,
RATHGAR, DUBLIN 6.

MOBILE: 088 514813
LAW LIBRARY: 702 4960
HOME: 497 9679

B.
JK

Chron



Renaissance Hotel
St. Thomas.

1st Jan 1998

Dear Mr. President,

I am an Irish friend of
Dick Spring and am on vacation
here with my wife for a week.

I am a keen golfer
(17 handicap) & am playing the
St. Thomas course today. I
believe you may be here in
the next few days.

In the hope that this
note may find you, may I
express the wish of most Irish
golferes that you will come to
play in Ballybunion soon.

Many congratulations on
your ongoing work & support
for the Peace Process in Ireland,

Sincerely,

Nicholas G. Keane

young boy
b. Jan. 1964
Sturges Co. SD

1-5-98

I Burkhardt for reply
after you have seen.

Q. Let
need
address

designed

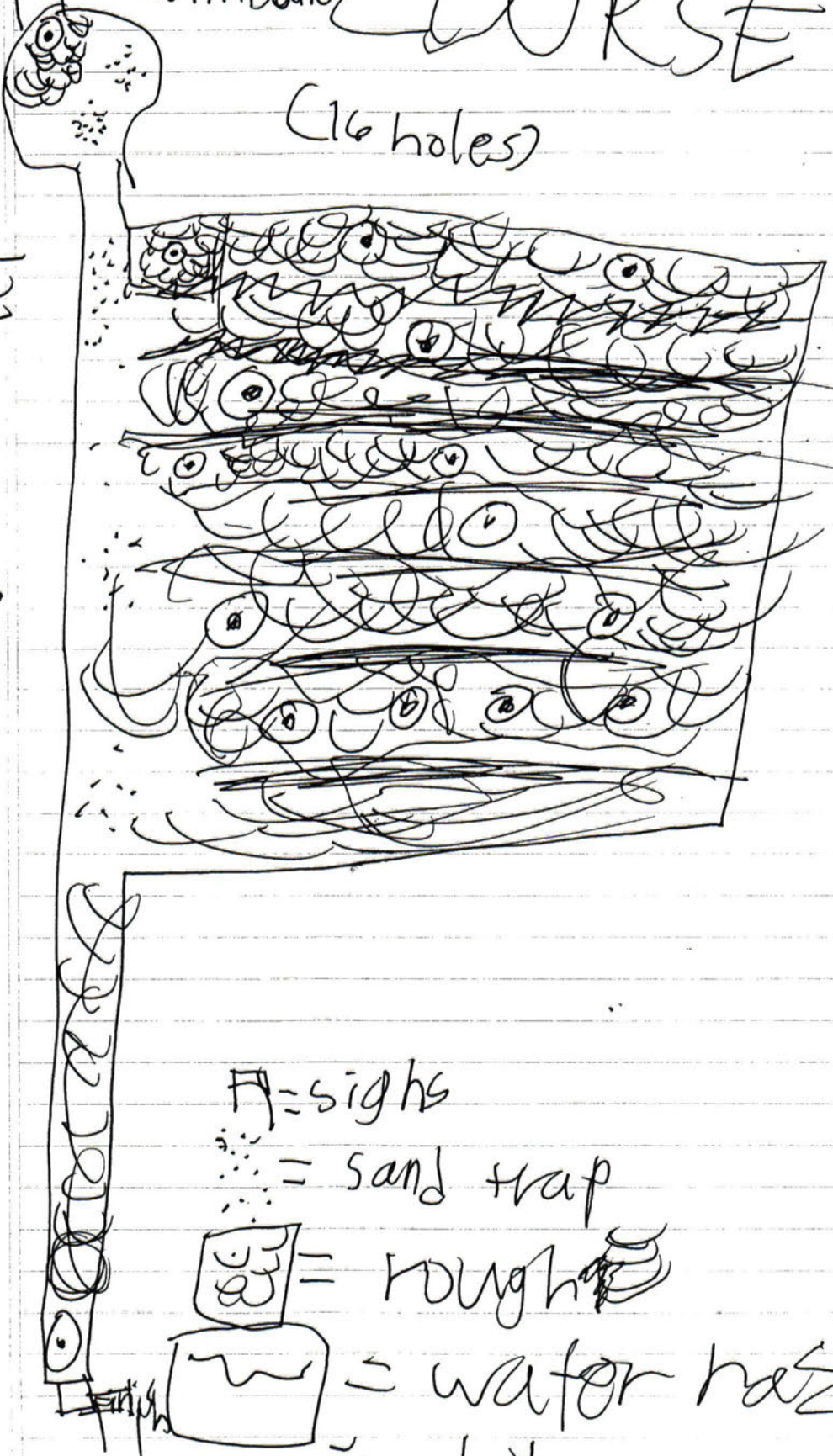
by David Burstein
1st New Year's Eve

PRESIDENTIAL GOLF COURSE

CLINTON
GOLF
COURSE

at Renaissance ^{Worship}

(16 holes)



A = signs

••• = sand trap

☼ = rough

☼ = water hazard

• = hole
○ = green

THE PRESIDENT HAS SEEN
1-5-98

Met in V/
gave him this
copy of letter sent
to him in car
showed to reply
for

1-5-98

To Burkhardt for reply
after you have seen.

B.

OK

THE WHITE HOUSE
WASHINGTON

May 6, 1994

Ms. Mourine DeFreitos
Smiths' Fancy
14 Crystal Crade
Saint Thomas, Virgin Islands 00807

Dear Mourine:

Thank you so much for taking the time to write. I have been touched by the many letters of encouragement and advice I've received from people who, like you, care deeply about the future of our country and the world.

In this season of American renewal, we all must take more responsibility for ourselves, our families, our communities, and our country. Together, we can change America.

Sincerely,

Bill Clinton

307725

P.O. BOX 307725

St. Thomas USVI 00803

Tele# 776 1897

Fax 776 1847

Mahogany Run Golf Course

P. O. Box 7517

St. Thomas, VT 00801

THE PRESIDENT HAS SEEN

1-5-98

*See 20 TV
gave 3 golf hints
one for each of us*

BR

President Clinton

1-5-98

*To Burkhardt for reply
after you have seen.*

*B.
DK*

THE PRESIDENT HAS BEEN

1-5-98

*Mahogany Run Golf Course
in the
Beautiful
U. S. Virgin Islands*

January 3, 1998

Dearest President Clinton:

It has been a distinct pleasure to have you play golf at Mahogany Run Golf Course while on your vacation in St. Thomas. We are honored that you would choose to play at Mahogany Run again and appreciate the opportunity to entertain you and the first family. In case you are interested in taking Buddy for a run, my dog Cinderella really enjoys running from the 18th hole all the way around the triangle and back again, and would be pleased to give him the grand tour.

I would like to thank you for your personable and genuine attention to meeting many of our staff members and for making us all feel that much closer to the President of the United States. On behalf of everyone here, I thank you and look forward to the opportunity to welcome you again.

Sincerely,



Kristine Macken

中华人民共和国大使馆

THE EMBASSY OF THE PEOPLE'S REPUBLIC OF CHINA

2300 Connecticut Avenue, N.W.

Washington, D.C. 20008

CE 165/97

The Embassy of the People's Republic of China in the United States of America presents its compliments to the Department of State of the United States of America and has the honour to forward to the latter for transmission, the autographic 1998 New Year's Greeting Cards from Vice President Rong Yiren of the People's Republic of China respectively to President William Jefferson Clinton and Vice President Albert Gore, Jr. of the United States of America.

The Embassy of the People's Republic of China in the United States of America avails itself of this opportunity to renew to the U.S. Department of State the assurances of its highest consideration.

Washington, D.C. December 19, 1997

Department of State
United States of America
Washington, D.C.



1-5-98

1 NSC for reply?
Yes ☒ No ☐

8.



祝賀新年

Happy New Year

江澤民

JIANG ZEMIN

President of the People's
Republic of China



中南海新华门 ZHONGNANHAI XINHUAMEN

祝賀新年

Happy New Year

李锐

Chron

THE WHITE HOUSE
WASHINGTON

Date 1/5

To:

Baskin

From:

The Staff Secretary

The President returned this
to my office just before the
holidays. Alexis must have given
it to him directly as it did not
come through my office
Phil

SECRETARY OF LABOR
WASHINGTON

THE PRESIDENT
12-24-97

December 19, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: ALEXIS M. HERMAN 
SUBJECT: FAST TRACK AND LABOR ISSUES

In preparation for the resumption of our effort on fast track authority, I wanted to give you my thoughts on the "labor" issues, and our suggestions on how we might move forward. In my view, opponents of fast track were successfully tapping into at least two concerns: (1) that those workers and communities negatively impacted by trade aren't being helped sufficiently; and (2) that trade agreements permit U.S. companies to relocate production abroad to take advantage of poor labor conditions (and low wages). The second round of the fast track debate creates an opportunity to tell positive stories about the Administration's record on dealing with worker dislocation, engaging other countries on labor standards issues, and highlighting more clearly the positive impacts of trade.

TRADE AND JOB ANXIETY

Despite very low unemployment, workers remain deeply anxious about potential displacement due to international trade (and other factors that get interpreted as international trade or globalization). Reinforcing this impression, there is a disproportionate impact from trade competition on those with lower levels of skills. These concerns were reflected repeatedly in the congressional fast track debate. The following charts depict aspects of that anxiety. Of particular note is Chart 7 which underscores why the UAW and Mine Workers unions were the most vocal opponents.

Perceptions

- A Washington Post poll conducted in the summer of 1996 found 72% of non-college graduate workers think the economy is not doing better than it is because companies are sending jobs overseas, while only 6% of economists think this is true (see Chart 1). And a Yankelovich poll (February 1996) found that 51% of Americans thought trade agreements were mostly bad for U.S. workers, but 58% thought they were mostly good for U.S. companies (see Chart 2).

Economic Reality

- To some extent, the anxiety is rooted in the wage stagnation and growing income inequality of recent decades, which also gets attributed to international trade -- although other factors may be more important. College graduates went from making 29% more than high school graduates in 1979 to 69% more in 1996. For male high school dropouts the real median weekly earnings fell 30%, and for high school graduates by 18% for that same period (see Chart 3).
- It is lower-skilled workers, often in high-paying production jobs, who are more likely to suffer the negative impacts of trade competition. (see Chart 4). The Economic Policy Institute released a report in September that found job loss impacts from trade competition are disproportionately higher for those with a high school education or less, and lower for those with more education (see Chart 5).
- Displaced workers typically suffer permanent earnings losses of 15 to 25 percent, and the losses are even greater for less educated or unionized workers in such sectors as primary metals, mining, transportation equipment and automobiles (see Chart 6).

The Debate Was Framed by Opponents

- Although many factors help to explain these trends, opponents of fast track have succeeded in portraying trade -- and NAFTA specifically -- as the most important causes. Opponents of fast track also argued that the Administration has done too little to counter the negative impacts of our expanded economic relationship with Mexico, particularly in border communities and sensitive sectors such as apparel and transportation equipment. The tools put in place to address these concerns, such as the NADBank, NAFTA trade adjustment assistance and the labor and environmental side agreements, are also criticized as inadequately implemented or flawed in design.

During October we did develop additional initiatives and made further commitments to respond to many of the concerns expressed, but in some ways it was perceived as too little, and too late. Confidence in these commitments was also weak because they were made in the context of minds having already been made up, skepticism based upon a sense that the Administration "wasn't in touch," and after bad memories of being promised NADBank, but seeing it largely inactive.

Reframing the Debate

- Having the Administration placed in this position was unfortunate given our strong record on programs to empower all workers to benefit in the new economy. Going forward, I believe we should confine ourselves to three basic themes where I think we have a much better story to tell than was able to get through and which involve central

points used against fast track authority.

These relate to (1) our record with dislocated workers and increased commitment to do more, i.e.: community adjustment assistance; (2) tools to support lifelong learning, including out-of-school youth initiatives; and (3) our international labor standards agenda.

DISLOCATED WORKER PROGRAMS

In arguing for new trade agreements, it is most difficult to deal with the economic pain and anxiety of workers who lose their jobs to international competition or who believe they might. While we can't argue that no workers will ever lose their jobs because of trade liberalization, we should be able to argue that those adversely affected are not left in the cold and that this Administration has a strong record of assisting workers manage the tough transition to get new jobs -- "manage the change."

Dislocated workers are not left out in the cold.

- **Title III of the Job Training Partnership Act (JTPA).** One clear statement in this regard is the Administration's commitment to triple the funds provided to assist dislocated workers get reemployed and retrained. The Department of Labor's JTPA dislocated worker program now serves some 500,000 -- which we estimate to be less than twenty-five percent of workers dislocated each year. Moreover, of the workers who completed their training last year, States report nearly three quarters of them were reemployed at an average of 94% of their previous wage when surveyed 13 weeks after leaving the program. Indeed, we have a rather compelling series of visual success stories that we could put forward to illustrate our case.

Improvements are still needed. The Department is currently undertaking administrative actions to improve assistance under Title III, including --

- ▶ enhanced early intervention through rapid response assistance for all workers being dislocated as a result of a plant closure or substantial layoff -- regardless of the reason for the layoff, such as trade impacted layoffs, to provide information to workers regarding all types of community services available to assist in the adjustment process;
- ▶ targeted assistance for secondary workers (those workers who are employed by supplier firms to directly affected trade dislocations but who are not eligible for trade benefits) and to reaffirm the Secretary's commitment to serve those workers;
- **Trade Adjustment Assistance (TAA) and TAA-NAFTA programs.** Incorporating the same commitments as stated above for dislocated workers.

- **Community Adjustment Assistance.** Enhanced readjustment and rapid response assistance through linkage with economic development initiatives in local communities (Base Closure Model).

LIFELONG LEARNING

To pursue lifelong learning goals, the Administration also makes available several other tools for many workers who want to return to school. These give many more working Americans the financial means to go back to school if they want to choose a new career or upgrade their skills. We need to emphasize the tools related to this issue.

- Student financial aid includes *Pell Grants* and *student loans*. Eligible low-wage workers can apply for Pell Grants to cover tuition and related education expenses, and any qualified worker can seek direct loans, enabling them to invest in themselves with repayment based on their ability to pay.
- New tax benefits include:
 - Through the “*Hope Scholarship*” *Tax Credit*, students enrolling in college or vocational school will receive a 100 percent tax credit for their first \$1,000 of tuition and required fees, and a 50 percent tax credit on the second \$1,000.
 - The *Lifetime Learning Tax Credit* is targeted to adults who want to go back to school, change careers, or take a course or two to upgrade their skills (and to college juniors, seniors, graduate and professional degree students).
 - The new tax law extends *Section 127* of the tax code for three years, allowing workers to exclude up to \$5,250 of employer-provided education benefits from their income.
 - *Out of school youth initiative*. Invest in young people so that they are able to take advantage of new jobs created by trade.

INTERNATIONAL LABOR STANDARDS

Another much debated area was the Administration’s record on assuring that we do more to protect labor (and environmental) standards as we engage in the global economic process. In fact, this Administration has done more than any in history to bring the labor standards agenda into the trade integration process.

- *NAFTA labor issues.* The NAFTA labor agreement set an important precedent of linking labor standards to a trade agreement. Despite the criticisms of the agreement made during the recent debate, we have a good record on using the agreement to press Mexico to move forward on a number of labor issues, and as a vehicle to consider public complaints alleging Mexican labor law violations. And although we can't oversell its success, it has arguably contributed to reinforcing the trends towards democratization in Mexico, including union democratization. Independent Mexican unions and human rights groups have brought cases to the DOL under the agreement. We certainly have frustrations with the amount of progress that has been made with Mexico on labor issues, but can tell a positive story for the NAFTA labor agreement.
- *Building international consensus on labor standards.* Moreover, since 1993, the Administration has taken the lead in developing an international consensus that a group of core labor standards (freedom of association, the right of collective bargaining, prohibitions on forced labor and exploitative child labor, and non-discrimination in employment) are not dependent upon a country's level of economic development -- and should be applied by all countries.

We have also taken several other labor standards initiatives that complement each other: (1) brought the relationship between trade and labor standards to the WTO, the OECD and the ILO; (2) pressed to have labor issues considered in the Hemispheric integration process; (3) encouraged better labor standards internationally through the Apparel Industry Partnership; and (4) worked hard to raise the issue of child labor exploitation around the world.

Although it can always be argued that we could do more -- and we ought still consider ways of how we could do more -- our record is stronger on labor standards (including the linkage of labor standards and trade) than was generally recognized during the fast track debate.

NEXT STEPS

In order to build support for a renewed fast track effort, we believe that it would be useful for DOL, in conjunction with White House Legislative Affairs, to begin immediately after the new year to build a congressional outreach strategy to make the case on what has been done and what is being done in terms of worker assistance and international labor standards. I have talked with several Members who still believe we were engaged in "rhetoric for the moment," but not a planned, serious commitment. We will need to state our message on worker issues repeatedly if we are going to succeed in making some incremental progress in the weeks ahead. The sooner we begin the better our chances for some level of success.

There are also several media strategies than can be used to balance the negative stories about trade impacts by highlighting positive stories such as workers getting new jobs in export-

oriented facilities, new openings of plants to produce products for export, and the Department's response to plant closings.

Generating Positive Trade Stories

- *The human face of export jobs.* Press coverage of trade impacts has focused on painful and personal stories of job losers. The positive story of trade-related job growth has been left to the experts to discuss using impersonal statistical data. As a result, the positive story does not resonate as being relevant to real people in real jobs. If we want to balance the debate effectively, workers in new export jobs must become familiar characters.
- *Plant openings.* We should create press coverage of export-oriented or other plant openings to highlight newly created jobs and focus on the individuals who now have new jobs, including those who received training to help them qualify for the new jobs.
- *Successful transition into new jobs.* We should also highlight success stories of workers who successfully move through training programs into new sustainable jobs.

We have had a good internal follow-up discussion, primarily through the NEC process, where I've shared some of these thoughts. But since you asked me for my thoughts, I wanted to give you the benefit of my thinking in writing.

Attachments

Chart 1. Public Perception on the Economy Differs Markedly From Economists'

	Non-College Grads	College Grads	Economists
Trade Agreements between the U.S. and other Countries are:			
Good for the economy	50%	71%	89%
Won't make much difference	16%	9%	6%
Bad for the economy	32%	17%	3%
The Economy is not doing better than it is because companies are sending jobs overseas	72%	53%	6%

Source: Summer 1996 Washington Post/Kaiser/Harvard Survey in Robert J. Blendon et al's "Bridging the Gap Between the Public's and Economist's views on the Economy," 1997 JEP Volume 11, Number 3. Columns may not sum to 100 percent because of rounding error and because "no opinion" responses of 4 percent or less are not reported.

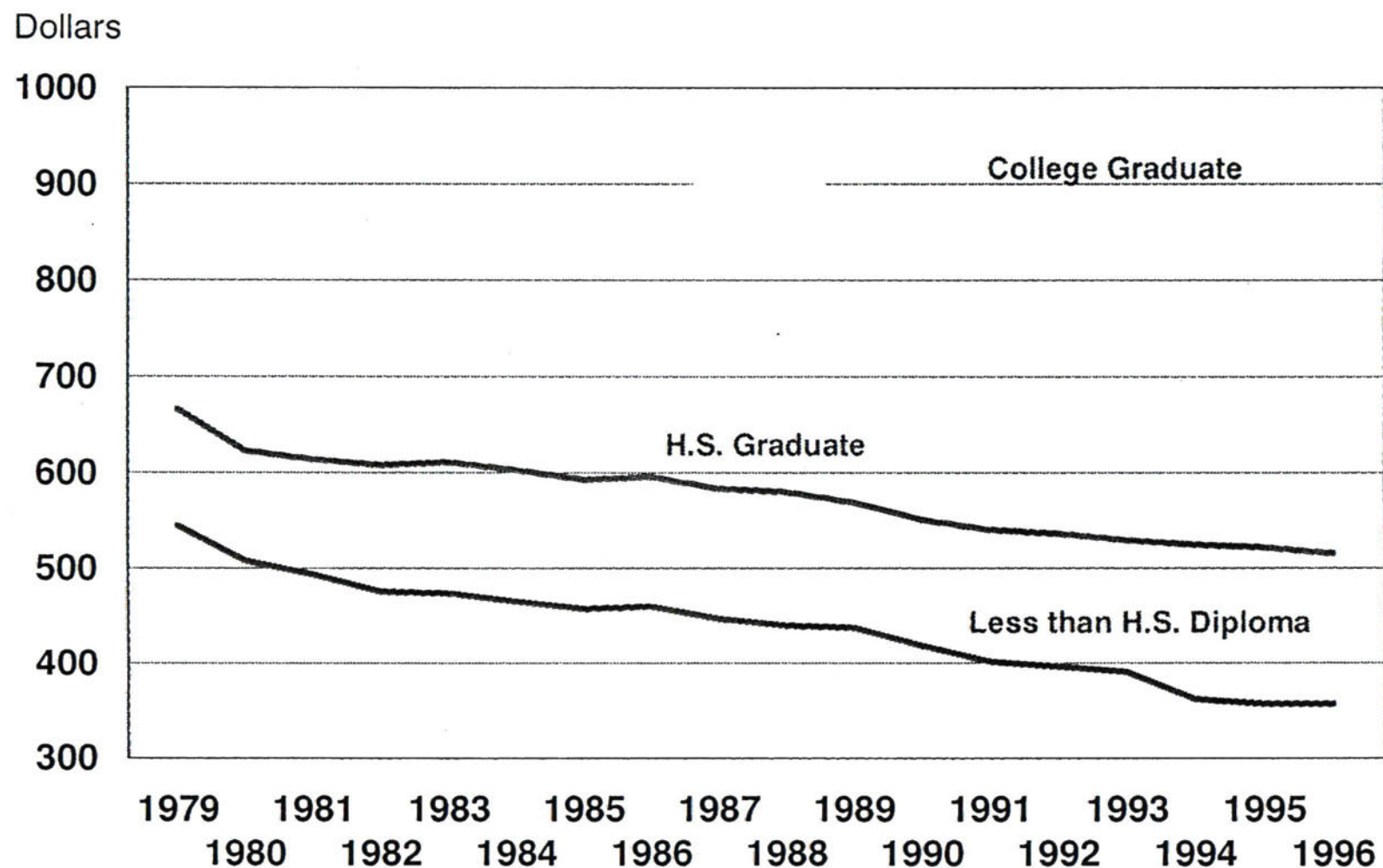
Chart 2. Public Perception of Free Trade Agreements

Do you think free trade agreements like NAFTA and GATT are mostly good or most bad for each of the following?

	Company's	Consumers	Workers	Wall Street
Mostly Good	58%	45%	31%	57%
Mostly Bad	23%	35%	51%	15%
Not Sure	19%	20%	18%	28%

Source: Yankelovich Partners Poll of adult populations, February 1996.

Chart 3. Real Median Weekly Earnings by Education



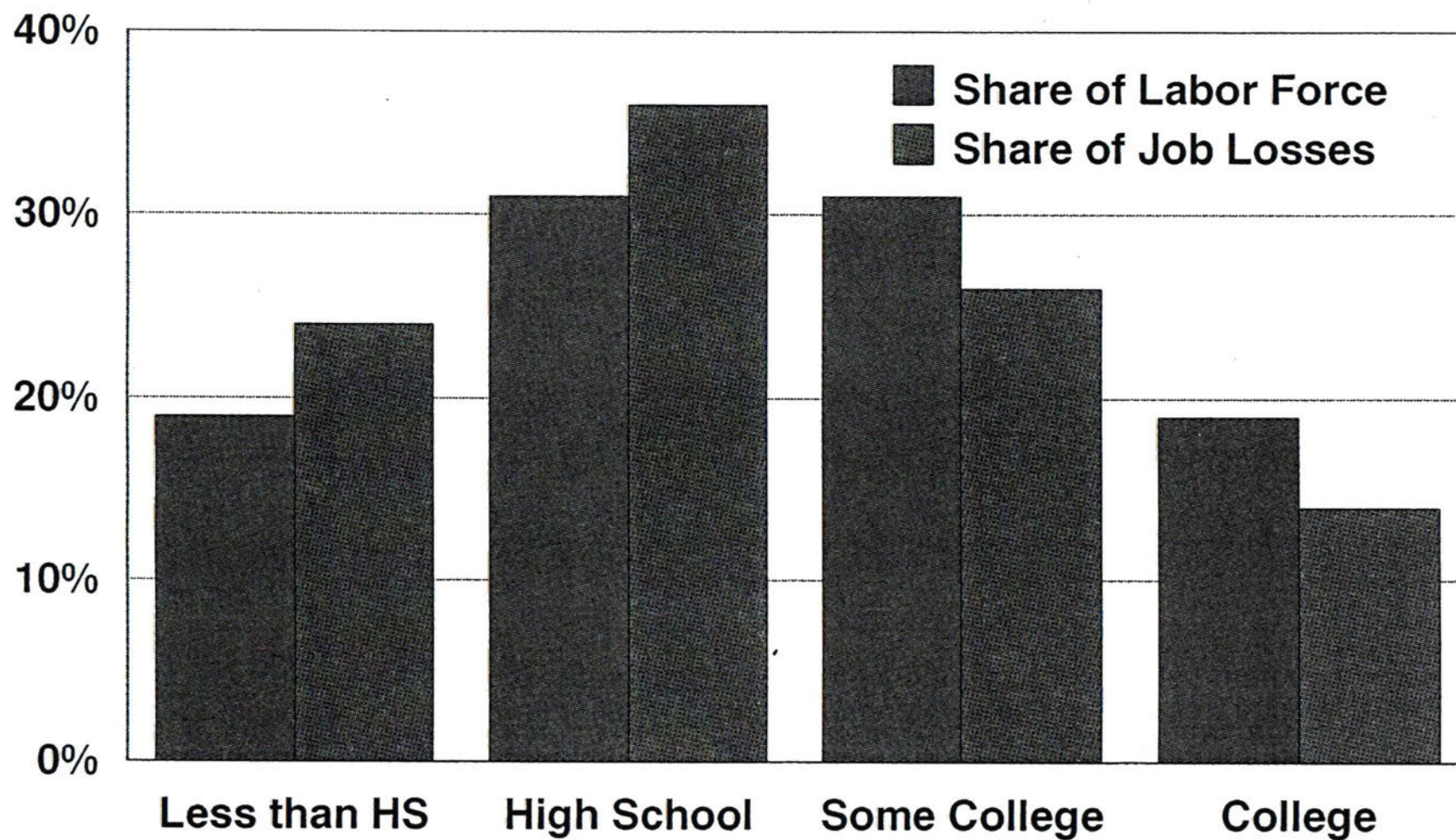
Source: Bureau of Labor Statistics, 1979 - 1996 Annual Averages

Chart 4. Employment Impacts from Trade -- EPI Estimates of Job Loss by Earnings



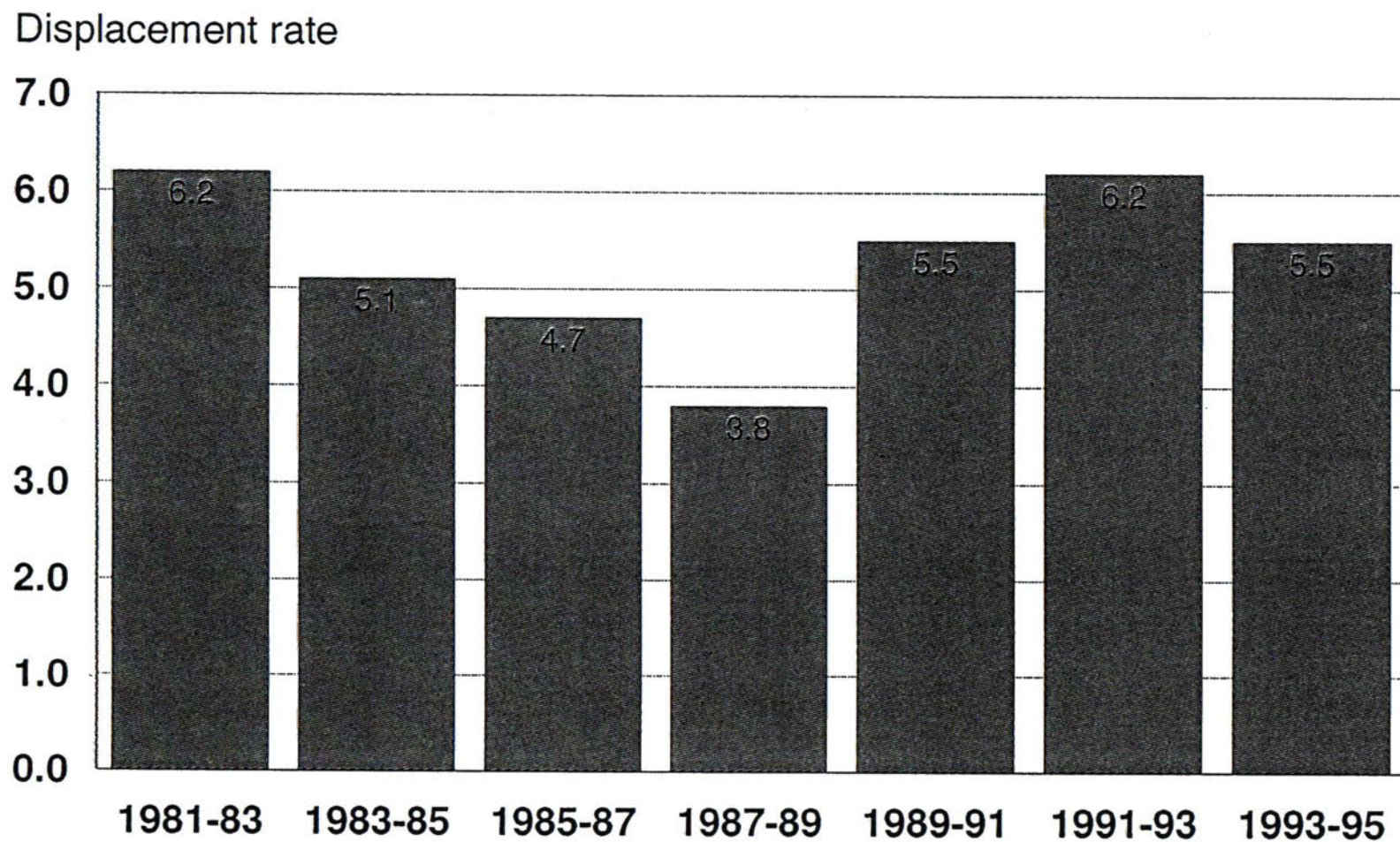
Source: Data from the Economic Policy Institute's Issue Brief # 120, September 1997.

Chart 5. Employment Impacts from Trade -- EPI Estimates of Job Loss by Education



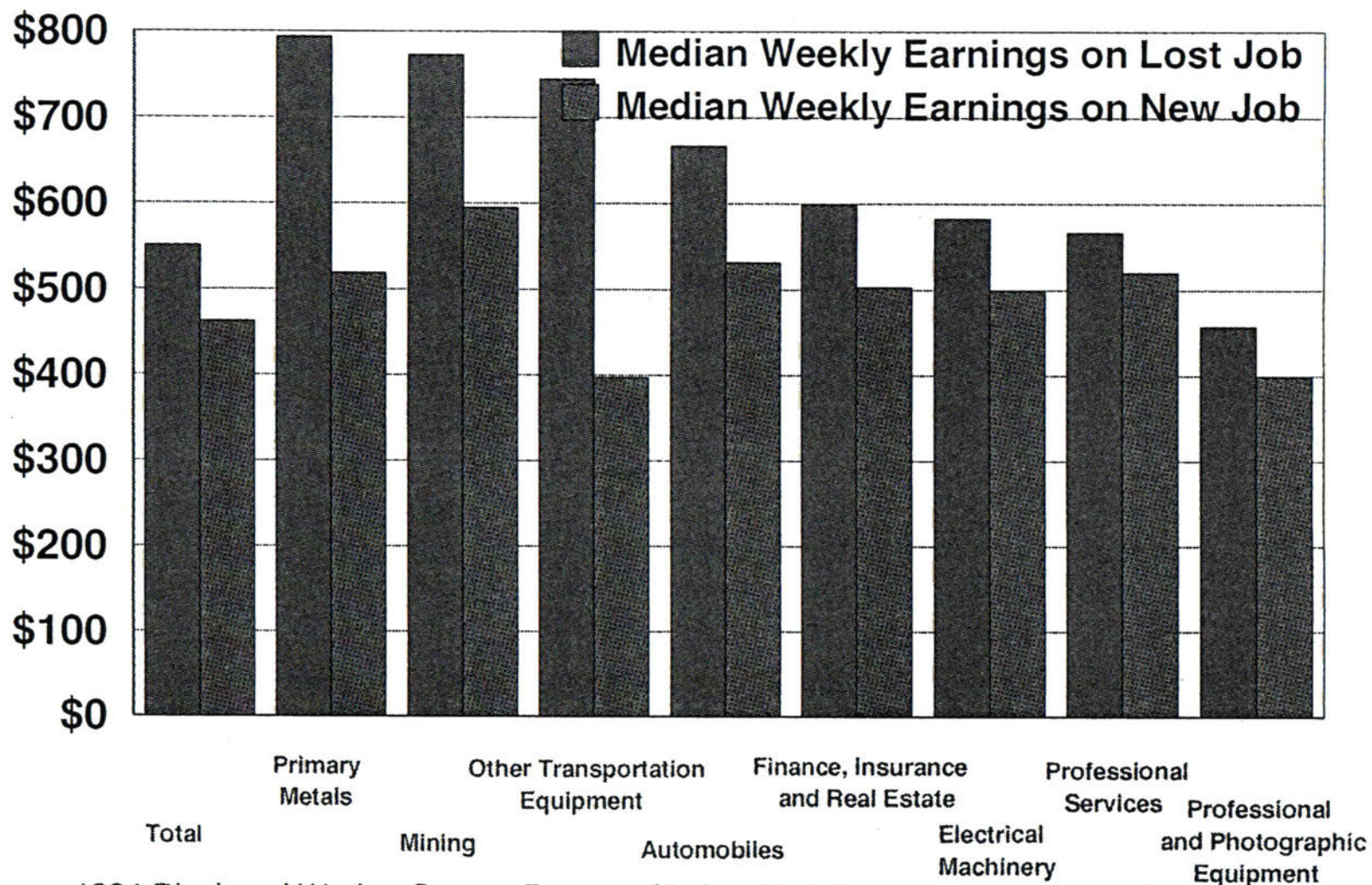
Source: Data from the Economic Policy Institute's Issue Brief # 120, September 1997.

Chart 6. Displacement Rates Highest During the Recessions of 1980's & 1990's



Source: Bureau of Labor Statistics, CPS Displaced Worker, Job Tenure, and Occupational Supplement. Note that displaced workers are persons 20 years and older with three or more years of tenure who lost or left jobs because their plant or company closed or moved, there was insufficient work for them to do, or their positions or shifts were abolished.

Chart 7. Reemployment Wages of Displaced Workers



Source: 1994 Displaced Worker Survey, Bureau of Labor Statistics. Earnings data is for workers who lost full-time wage & salary jobs between January 1991 & December 1993 and who had a new job in February 1994.

Administration Said Too Slow On '2000' Bug

Computer Repairs Lagging, GOP Claims

By Rajiv Chandrasekaran
Washington Post Staff Writer

Congressional Republicans yesterday criticized the Clinton administration's efforts to fix the "year 2000" glitch in government computers, accusing the White House of "dropping the ball" in alerting people to the issue and warning that many federal agencies will face system failures at the current pace of repairs.

"Is our nation ready for this millennium bug? Frankly, no," Rep. Constance A. Morella (R-Md.) said in the weekly Republican radio address.

Morella called on Clinton to issue an executive order making year 2000 fixes the "highest priority" for federal agencies. She also urged the president to appoint a senior administration official to direct government and private sector date-repair efforts.

"The administration is dropping the ball," Morella said. "We must have the president's help."

Many large computer systems use a two-digit dating system that assumes that 1 and 9 are the first two digits of the year. Without specialized reprogramming, the systems will recognize "00" not as 2000 but 1900, a glitch that could cause the computers either to stop working or to start generating erroneous data.

The federal government has a large proportion of older computer systems that are more prone to the date problem, according to technology specialists. If they aren't fixed in time, Morella

said, "affected could be critical government functions, such as air traffic control, veterans' benefits, Social Security [payments] and student loans."

"The consequences could be catastrophic, rendering useless much of the nation's date-sensitive computer data," said Morella, who chairs the House subcommittee on technology.

Morella's comments reflect a more strident and public tone on the issue among Republicans. Although a handful of GOP legislators have criticized the administration's handling of the problem over the past year, most of that criticism has occurred at small congressional subcommittee hearings.

A report issued last month by the Office of Management and Budget, which is supervising the date-conversion work in the executive branch, said "a vast amount of work remains" and warned that some agencies still may be underestimating the costs involved. OMB has estimated that, as of Nov. 15, it will cost \$3.9 billion to make the repairs across the federal government.

Only 10 percent of the government's affected computers have been repaired and fully tested, the report said.

An OMB spokesman yesterday defended the administration's handling of the repair work. "We are moving ever more aggressively to address this challenge, and we are absolutely determined to do whatever it takes to meet it head-on," said the spokesman, Lawrence J. Haas. At the same time, he said the administration will continue "stepping up our efforts so we will finish on time."

Haas said OMB "has the right people in place" to deal with the issue, including a senior official who is in "close contact with the president and the vice president."

The OMB has placed seven federal agencies that it believes are not making repairs fast enough on a "watch list," preventing them from buying new computers until they have fixed the date glitch in all of their "mission critical" systems.

Hospital Releases First Septuplet; Others Are in Fair Condition

DES MOINES—The first of the McCaughey septuplets went home yesterday, six weeks after he and his six siblings were born.

Kenneth McCaughey, weighing 5 pounds, 4 ounces, was released from the children's hospital at Iowa Methodist Medical Center. The other babies are in fair condition, said hospital spokeswoman Lynne Yontz. Doctors have said they hope to send them home by the end of January.

Yontz said Kenneth was released because he was ready. The babies born to Bobbi and Kenny McCaughey are the world's only living set of septuplets.

THE PRESIDENT HAS SEEN
EB/leal 1-5-98
We can't afford
to mess this up
What do we have
by doing as the
recommendations—

Pls advise — taking
her Me. faces a lot of
heat, may do some
good.

BC

copied
Bowles
Rodeszk
Raines

The Washington Post

SUNDAY, JANUARY 4, 1998

THE NEW DEMOCRAT

VOLUME NINE, NUMBER 6

NOVEMBER/DECEMBER 1997

\$3.00

THE PRESIDENT HAS SEEN
1-5-98

— Pg 6 cont on 34

— Pg 7 → 27

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Begala
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Blumenthal

SPEAKING

READ

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Emanuel
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Levin
Blumenthal
Sperling
Read
COS
Waldman

The CLINTON LEGACY

What It Is Now, What It Could Be

Henry G. Cisneros & Marc A. Weiss

William A. Galston ■ Seymour Martin Lipset

Will Marshall ■ John O. Norquist

James P. Pinkerton ■ Diane Ravitch

Paul Starr ■ Alan Wolfe

BUILDING A LEGACY

Five years into his presidency, Bill Clinton has already built a legacy of achievement, a record that could earn him a place in the upper tiers of American chief executives. But as the recent setback on fast-track legislation demonstrates, as impressive as his record is, his accomplishments are reversible, and it is early yet to cast his legacy in stone. Looking forward, we believe the route to securing his place in history as a truly transformative figure leads to four major challenges: equipping Americans to succeed in the new economy; building a world-class public education system; breaking the cycle of inner-city poverty; and modernizing the entitlements.

Our inventory of the President's key achievements to date includes:

- ♦ presiding over a remarkable economic turnaround: an era of low-inflation, low-unemployment, and low-interest-rate growth, capped by rising real incomes;
- ♦ restoring U.S. leadership in the global economy through trade negotiations that have opened major new markets for our goods and services;
- ♦ reversing three decades of rising federal budget deficits, culminating in the historic 1997 balanced budget agreement;
- ♦ signing legislation ending the old, discredited welfare system and fighting to replace it with an employment system that brings poor Americans into the social and economic mainstream;
- ♦ helping to reduce violent crime through his advocacy of community policing, tougher sentencing, and common-sense gun control;
- ♦ launching a "reinventing government" initiative that has reduced the federal bureaucracy to its smallest size since the Kennedy administration; and
- ♦ creating a national service program that addresses entrenched social problems, helps young people pay for college, and revives the civic ethic of mutual obligation.

With these accomplishments, the President has begun—and we emphasize begun, because the fight is far from finished—to transform the Democratic Party from a fractious coalition of special interests united around the defense of big government into a credible agent of national purpose that is open to new ideas and aligned with the values and aspirations of most Americans.

It is an impressive foundation for a successful presi-

dency. But the ground beneath it is unstable. Many of the President's accomplishments depend on continued strong economic growth, and a recession is possible. Powerful forces in our own party, not to mention the Republican Party, would welcome the chance to reverse his reforms. And society is changing at hyper speed today; if the President fails to adapt his presidency to new realities, his past achievements may crumble to dust soon after he leaves office.

President Clinton cannot be content to be a Democratic Ronald Reagan, launching a few key policy initiatives and then resting on his laurels for most of his second term. That is why we believe the way to secure his place in history is to tackle four big challenges:

♦ *Equipping Americans to succeed in the new economy.* The President's economic strategy rests on three pillars: restoring fiscal discipline and stability, creating jobs by opening new markets, and investing in the skills of our people. Today's fierce debate over trade expansion has made that third pillar especially salient.

The President should stand squarely for an approach that equips Americans to manage the risks of economic globalization and take control of their own economic lives. He has backed the Democratic Leadership Council's call for a "new social compact" that "expands the winner's circle" of Americans prepared to benefit from expanded trade and increased competition. But the right message must be followed up with the right policies.

The President should intensify his push for genuine education reform, as we elaborate below. He also should: revive his plan to create a GI Bill of Rights for Workers that would replace federal training programs with vouchers and build a competitive market of public and private training resources that Americans could tap as they need; fight Republican opposition to a system of portable pension and health benefits that would make changing jobs less risky; and seek legislation that would require firms to offer tax-preferred performance bonuses and education benefits to all workers, not just top executives.

♦ *Building a world-class public education system.* The President has said time and again that providing all children with a world-class education is the overriding goal of his second term.

Given the education establishment's influence in the Democratic Party, he deserves high marks for his efforts to make public school choice and national student standards and testing Democratic orthodoxy.

Americans, however, are losing patience with the glacial pace of public school reform, and more than half now say they back Republican calls for unrestricted private school vouchers. It is also worth noting that the President's moves to expand access to higher education will be for naught if incoming freshmen are unprepared for college. To blunt the pro-voucher trend and fulfill the promise of his higher-education initiatives, the President should aggressively promote his own formula of high common standards and choice in public schools. He should explicitly endorse using the new national tests to end social promotion, and should issue this counter-challenge to voucher proponents: If a private school wants taxpayer dollars, it should agree to make itself accountable to the public for student performance as measured by national tests.

♦ *Breaking the cycle of inner-city poverty.* The President leads a party with a bedrock commitment to equal opportunity and upward mobility for all Americans. It undoubtedly disturbs him that the one blot on his superb economic record is the stubborn persistence of poverty, social pathology, and dependence on government in the inner cities. Beginning the transformation of welfare into an employment system was a courageous reversal of his party's old course. But given the entrenched nature of inner-city poverty, Clinton's welfare reform and related empowerment initiatives are little more than a turn in the right direction.

The time is ripe and the conditions are almost ideal for the President to propose the first coherent national urban strategy since the Johnson administration. The economy is strong. Business and civic leaders are growing more aware of the role that urban cores and inner-ring suburbs can play in vibrant regional economies. There is a new, bipartisan breed of big city mayors who have abandoned the old politics of dependence on federal largesse and are accepting responsibility for showing results. Even congressional Republicans are beginning to accept that there is an essential national role in revitalizing urban economies.

The President's welfare reform legacy may well depend on an urban policy breakthrough. The same can be said of his desire to achieve national racial reconciliation. The President can and should make urban empowerment a "third way" alternative to either elimination or continuation of racial preferences and other group entitlements in American life.

♦ *Modernizing the entitlements.* Social Security and Medicare reform is long overdue. If we are to maintain the basic New Deal/Great Society promise of economic and medical security in retirement, we must adjust these signal Democratic Party achievements to reflect modern realities: longer life spans and working careers, changing

family structures, actual retiree needs, the regressiveness of payroll taxes, and Americans' increased willingness to manage their own assets.

Today's entitlement system directly threatens the President's fiscal and economic legacy. If we do not reform the system to account for the coming retirement of the baby boom generation, the President's successor will be forced to choose between a return to massive federal budget deficits or devastating cuts in non-entitlement spending—either of which would strangle the private and public investments needed to sustain economic growth.

If the President moves forward on this four-part agenda, he can consolidate his policy achievements and simultaneously advance his other historic project: the modernization of the Democratic Party. A new social compact would build a bridge between those in the party who embrace the new economy and those who fear it. Radical improvements in public education would both broaden the new economy's winners circle and help restore public trust in government. Breaking the cycle of inner-city poverty would help realize the long-standing New Democrat objective of uniting those struggling to stay in the middle class with those struggling to get there. And reforming the entitlements would constitute a decisive victory over those who want to take the party back to its days as a gaggle of interest groups defending the old government programs.

The political and policy mountains the President has climbed have brought him to a peak where higher mountains now loom. As the title of his 1996 book suggests, his legacy remains poised between hope and history.

Environmental Insurance

Clinton's Laudable Global Warming Plan Can Be Made Even Better

In early December, world leaders will meet in Kyoto, Japan, to hammer out a treaty to slow the build-up of greenhouse gases that appear to be contributing to global warming and other climate changes. New Democrats should view the summit as an opportunity to redefine environmentalism as the marriage of social responsibility to sustained economic growth here and abroad.

As the world's largest source of greenhouse gases, a byproduct of the fossil fuels that power our economy, the United States has a huge stake in the outcome of the Kyoto talks. After months of internal debate in his administration, President Clinton last month finally announced the U.S. negotiating position. He recommended reducing U.S. emissions to 1990 levels by no later than 2012, creating an emissions trading market to drive down the cost of reductions, using tax incentives to spur energy efficiency, and continuing scientific research.

Continued on page 34

THE CLINTON LEGACY TODAY

Five Assessments of His Presidency After Five Years

Editor's note: With the Clinton presidency nearly five years old, it is not too soon to ask, "What is his legacy?" Even the President's detractors concede he is a master politician. But surely, Clinton can claim ample substantive achievements as well, from national service to the booming economy. The editors argue on page 6 that three achievements stand out: his management of the economy and fiscal affairs, the transformation of welfare into an employment system, and the way he has changed public opinion about Democrats. We put the same question to five authors, and their responses follow.

The Three Big Gambles

BY PAUL STARR

Like writing reviews before the curtain comes down, speculating on a president's place in history before his second term is halfway over is a dangerous business. One hopes there are no surprise endings. In this case, early assessment has at least a partial rationale: With the budget agreement in place, President Clinton has foreclosed major shifts in spending priorities. Unless a storm hits (and there are hurricanes offshore), his ship seems locked on course, with almost all the big choices made.

Three of Clinton's policy choices so far seem likely to leave a lasting impact. Each one involved great political risk and exposed deep divisions among the President's advisers. Think of them as Clinton's three big gambles in national policy: his first budget, his health plan, and his decision to sign the 1996 welfare legislation.

The 1993 budget showed the characteristic Clinton progressive-conservative mix, and in the fullness of four years it looks like an unmitigated success. It was progressive because it increased both the Earned Income Tax Credit and the tax rate on the highest bracket, and it was conservative because it began to wring out the structural deficit left from the Reagan-Bush years. Republicans predicted economic disaster would follow

when it passed over their opposition. The boom since then is, of course, not wholly the product of those tax and spending decisions. But as Clinton would have been blamed for a recession, he deserves a large share of the credit for the return to both solvency and sustained prosperity. And he did it without big tax cuts or, for that matter, a big public investment package.

While none of us knows how long prosperity will last, it has already had a striking effect. Compared to the anxieties about economic and moral decline a few years ago, America now shows an astonishing self-assurance. That is a legacy of some importance for the country—and for the Democratic Party. During the 20th century, there has not yet been a two-term Democratic presidency of uninterrupted peace and prosperity. I am holding my breath.

Clinton's second gamble, the health plan, was also conceived as a progressive-conservative mix: progressive in seeking universal coverage; conservative in its cost controls and reliance on competing private health plans. But the mix didn't satisfy or convince its critics. The gamble failed, and when reform collapsed in September 1994, Clinton was silent, failing to take responsibility for the debacle or to give meaning to it. What remains is a negative political legacy: a generalized self-doubt among Democrats and skittishness about any substantial plan for public remedy.

The third gamble, Clinton's decision to sign the 1996 welfare legislation, has proved more salutary than its critics expected. But the ultimate legacy is less clear. Today, states are receiving more federal money than they would have if no bill had been adopted. Their own budgets are flush thanks to the economy, unemployment is low, and because time limits have not yet kicked in, none of the hard decisions about welfare have yet been faced. Nor has much been done about the stagnant wages and negligible benefits of the jobs available to the poor. Nonetheless, welfare reform has thus far given policy a positive jolt: more constructive effort to get jobs for the poor and to improve their lives than in a long while.

Each of these gambles required Clinton to personally override discordant voices in his government. Thus they

show most clearly his stamp on the nation—his distinctive effort to combine both left and right to break out of traditional patterns. But this in itself is not new: Both Franklin D. Roosevelt and John F. Kennedy combined progressive and conservative elements and upset the left as well as the right in their day. Their liberalism was never as one-dimensional as it is now sometimes made out to be. What is so different about Clinton is not the spirit of his enterprise—certainly not in 1993-94—but rather the political context since he lost the Congress and has had to share national leadership with the Republican Congress. He lost his footing, then regained it, but has never taken full control of the agenda. Some of his greatest accomplishments are the things he has prevented—like the sundry right-wing amendments to the Constitution not adopted, thankfully, at least not yet.

Against the backdrop of American history, Clinton's legacy may seem modest. But no president today can hope to measure up if the standard is, say, Jefferson and the Louisiana Purchase or Roosevelt and the New Deal. Clinton will see his name carved into few granite cornerstones because few are being laid. We are not in a nation-building or institution-building era. But unlike the Republicans, neither are we likely to discard most of the national government that we have built this century. If Clinton finishes eight years in office with America as buoyant as it is now, this presidency will be counted as a success. And though I would have liked to see more done, more will be done only if Americans believe that their leaders and their government can succeed. The renewal of that confidence will be a great legacy indeed. ♦

Paul Starr is a professor of sociology at Princeton University and co-editor of The American Prospect.

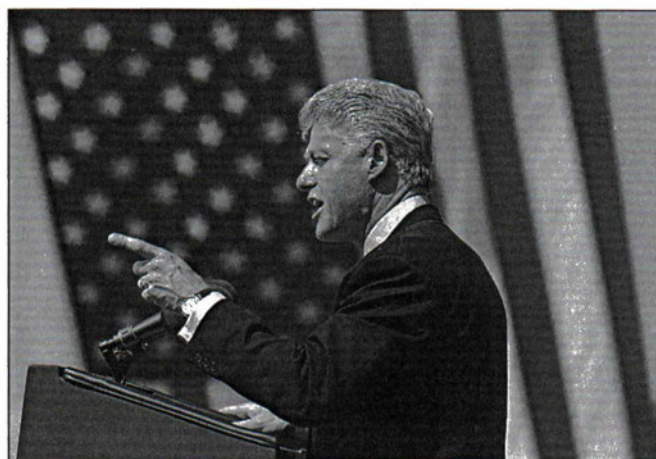
The Jobs President

BY SEYMOUR MARTIN LIPSET

Opinion polls indicate clearly how Americans view Bill Clinton today and how they think he will rank in history. The surveys suggest that the public makes sophisticated judgments.

Most Americans believe Clinton has been a good President. Almost all polls report that from 55 percent to 60 percent approve of his record. The surveys indicate that Clinton is basking in the glow of good times. And economic conditions have been excellent during the past three years. The leaner, meaner American economy has moved from downsizing to near full employment. Most incredible of all, it has done this without wage and price inflation. Most people are now optimistic about their own and their children's future.

At the same time, the public is aware of the various



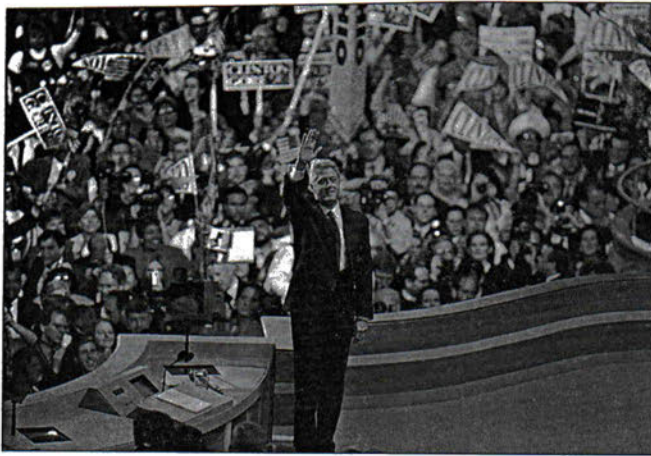
Clinton will see his name carved into few granite cornerstones because few are being laid. We are not in a nation-building or institution-building era.

allegations concerning Clinton's personal life, past business affairs, and campaign financing activities. They do not like what they read, hear, and see in the media; the mud is sticking. A national survey by Yankelovich Partners in early June asked whether Clinton will be remembered in 25 years for "his accomplishments as President" or for "controversies over his personal life and financial dealings." Only 28 percent cited his accomplishments while almost two-thirds cited the controversies. Three-quarters of Republicans and of independents gave the latter response, as did 51 percent of Democrats. Only two-fifths of Clinton's fellow partisans predicted that history will remember his accomplishments.

Yankelovich followed up that either-or question with a broader one that asked respondents to select the one thing Clinton would be remembered for most: the controversies or one of five policy initiatives such as health care reform or deficit reduction. Almost half, 48 percent, continued to cite the President's personal life and financial dealings.

These numbers, of course, can and will change. An economic downturn, which is far from impossible, would probably reduce the number impressed by Clinton's accomplishments. Since the electorate does not feel very positive about him personally, he would not have a strong base of support to prevent a downswing in his approval ratings if the economy should sour. On the other hand, the media-driven fixation on his alleged misbehavior may fade away in the absence of a smoking gun.

Charges of immorality and malfeasance have tarnished the images of many politicians, Republican and



To be remembered as the president who put America back to work is a legacy worth promoting.

Democratic alike. Sad as it may sound, the President is helped by an increasingly cynical view, which sees his alleged behavior as typical of all elected officials. If all politicians are crooked and we have to live with them, the prevailing wisdom goes, we can only hope they will at least be competent. Clinton passes that test. And that appears to suit him just fine; in discussing campaign finances, for example, he argues that his party's activities were no worse than the Republicans'.

The President can and should try to improve the image he will have in history. He obviously wants to, but he has not been playing his strongest suit: job creation. Since Clinton took office in 1993, the American economy has added 13 million jobs, immensely more than the European Community and Japan, which had almost no job growth during this period. To be remembered as the president who put America back to work is a legacy worth promoting.

Clinton, however, has been hampered in his efforts to emphasize this positive aspect of his presidency. The reason, in part, is that there were so many in the first administration, led by former Labor Secretary Robert Reich, who constantly focused on downsizing and the widening of the income gap. Without elaborating, it should be noted that the growing income gap is a product of a changing economy and segmented job demand, now as in the early stages of the Industrial Revolution. In other words, it is a product of what in the long run (and possibly even in the short run) is positive economic news. Clinton is presiding over an economy that is creating gradual but steady growth in well-paid, higher status positions. He should claim and receive credit for this

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development. As the economy changes, coal miners, printers, auto and steel workers, and others whose skills are in less demand are inevitably being downsized. Unions cannot relieve their plight. But Clinton's government can try, through job retraining and other initiatives, as Will Marshall points out elsewhere in this issue (see page 16).

Finally, I would note that Clinton's greatest legacy may well be the kind of Democratic Party he leaves behind. In Britain, Prime Minister Tony Blair understands the need to concentrate on party reform, to make sure that the Labour Party he leads will continue to be a center-left party committed to free markets and compassionate welfare policies. He has worked to reduce the influence of the socialists and leftist unions in his party who would preserve or extend statist policies.

The same elements are strong among American Democrats. Tom Hayden and Ruth Messinger, the recently defeated Democratic mayoral candidates in Los Angeles and New York, respectively, typify this mindset. John Sweeney, the president of the AFL-CIO, is a member of the Democratic Socialists of America, and his secretary-treasurer, Richard Trumka, is to the left of him politically. Although he cannot run again, Clinton has to make sure that the Democratic Party remains true to his centrist line. If he does, the party will win elections. ♦

Seymour Martin Lipset is the senior scholar at the Progressive Policy Institute.

Believer in the Power of Work

BY JOHN O. NORQUIST

If you come to Milwaukee, you're liable to see a billboard for our local Goodwill organization. Its message is simple and clear: "Believe in the power of work."

When I think of President Clinton's accomplishments in the area of welfare, the word that first comes to my mind is not "welfare," but "work." Like the people who run Goodwill, Clinton believes in the power of work. From his first day in office, he's had the courage to treat the poor who are able to work as workers. And he's made that belief the cornerstone of his domestic policy.

Viewing the able-bodied poor as workers is a public policy sea change. When Clinton and others who came of age in the 1960s entered politics, work was commonly viewed as an option. If able-bodied parents declared themselves to be out of the labor force, most policymakers thought it was perfectly fine for them to live off tax dollars extracted from those who worked for a living.

But as Franklin D. Roosevelt understood, it is morally, economically, and politically wrong to treat adults who

can work as dependents of the state. FDR is often credited with creating the federal welfare system. In fact, he inherited it from Herbert Hoover, hated it, and replaced it with a work-based system not once but twice—in 1933 with the Civil Works Administration and in 1935 with the better known Works Progress Administration. Roosevelt directed Harry Hopkins to transfer the millions of able-bodied adults who were enrolled in federally funded "relief" programs into subsidized jobs—real jobs that paid a real wage and did useful work for the nation.

By the mid-1980s, more and more Democrats had come to re-learn the lesson that welfare is a prison for the able-bodied poor. Clinton has now translated that vision into reality. Many have criticized him for signing the Republican-authored bill that repealed Aid to Families with Dependent Children and replaced it with Temporary Assistance to Needy Families. I will not argue that political expediency had nothing to do with it. But I am convinced that Clinton's prime motive was his deep personal conviction, drawn from his party's rich history and his experience in politics, that the able-bodied poor must be treated like workers if we are ever to help them escape poverty.

The same conviction led him to obtain a huge expansion of the Earned Income Tax Credit, to increase funding for Head Start, to promote national health insurance (which died in Congress), and to press for a new health program for low-income kids (which Congress passed). Whatever his political calculations, in the end the President signed the welfare bill because he believed it would give the poor a much better chance of getting the jobs, the earnings, the child care, and the health care they need to give their families a decent life.

As he prepares to enter his sixth year in office, the President's legacy to the nation is not the elimination of "welfare as we know it" but the rebirth of a powerful set of beliefs: that the poor are workers, that work should be rewarded, and that helping the unemployed escape poverty through work is one of the essential missions of government.

To solidify this legacy in his remaining time in office, Clinton now must challenge the states to make wise use of the new tools they have been given. The new welfare law is open-ended. It allows states, if they are perverted enough, to recreate much of the old welfare system: to give the poor grants instead of jobs, to obstruct work rather than reward it, and to subject participants to the arbitrary rules of a massive bureaucracy rather than connect them to the discipline of the job market.

But the new welfare law, in tandem with the EITC and expanded child care and health care funding, also gives states the freedom they need to create truly effective work-based systems. They are now free to treat every able-bodied poor person as a worker who deserves a decent-paying job; to reduce barriers to employment and link the unemployed poor to the labor market;

to support the working poor in their struggle; and to keep bureaucracy to a minimum and use competition and incentives to produce results.

It is now up to Clinton to use his bully pulpit to hold states accountable—not just for reducing welfare case-loads, but for connecting the poor to real jobs that lift them out of poverty. ♦

John O. Norquist is the mayor of Milwaukee.

The American Gorbachev

BY JAMES P. PINKERTON

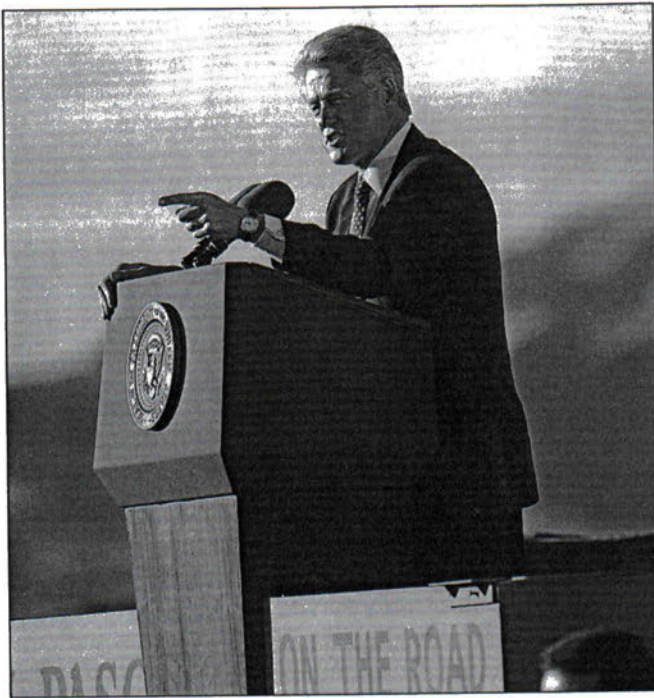
After the results of the 1992 presidential election clarified my career options, I began a new career as a writer. Five years later, I'm still pleased with the point I made in my first column, dated January 7, 1993, comparing President-elect Bill Clinton to President-ex Mikhail Gorbachev. "Like Gorbachev when he assumed office," I wrote, "Clinton knows that 'new thinking' is necessary to solve the chronic problems he inherited." And yet I predicted that Clinton, like Gorbachev, would be hard pressed to mediate between the desires of his political base and the need for change.

Consider the Clinton record on education. Riffing on a particularly lame promise of George Bush, candidate Clinton pledged to be "the *real* education president." No doubt he thought he could charm the national education establishment into reform, just as he had done in Arkansas. Mindful that Gorbachev found it easier to start a revolution from above than to control it on the ground, I foresaw "a flurry of activity from the new president—speeches, summits, programs."

The problem for Clinton, as it was for Gorbachev, is that public expectations are rising faster than the apparatus can deliver. "Reinventing government" or not, the performance gap between the bureaucratic public sector and the streamlined private sector widens every day. "Having raised hopes for change, [Clinton] will not be able to keep up with the demand for change," I wrote. "The school choice movement, popular in inner cities but loathed by the bureaucracy, will eventually spread as parents of all classes, frustrated by failure, seek to open up education to new ideas."

True to the script, new polls show a dramatic rise in public support for private-school vouchers, particularly among African-Americans and other racial minorities. A host of New Democrats, most notably Sen. Joseph I. Lieberman (D-Conn.) and former White House aide William Galston, have endorsed vouchers for low-income kids; *The Washington Post's* editorial page has, too. The education paradigm has shifted out from under Clinton, and he has only himself to blame.

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For all the positive change he has unleashed, the stain on Clinton's legacy is that he always knew how to improve the status quo. He just wasn't always willing to say it out loud.

First, in contrast to Jimmy Carter two decades ago, Clinton conspicuously sent his daughter to a private school. It was the profoundest possible commentary on the District of Columbia public schools, which spend more than \$9,000 per pupil per year and can't even keep the roofs fixed, let alone provide a decent education. No wonder a recent poll shows that 86 percent of black adults in their prime childbearing years support school vouchers: If private schools are best for the Clintons (and the Gores), why not for their kids, too?

Second, after Dick Morris convinced him that tax credits for higher education—public, private, or religious—would play in Peoria, Clinton embraced the idea. Indeed, it helped him sweep suburbia in the 1996 election. But then Sen. Paul Coverdell (R-Ga.) had the bright idea of extending the same idea to K-12 education. When nobody was looking, Coverdell slipped tax credits (vouchers by a different name) into last summer's balanced budget deal. Clinton spiked the tax credit with a last-minute veto threat, but he didn't bother to give a policy rationale for his threat. But then again, how could he? The only difference between the college tax credit and the K-12 tax credit is that the teachers unions at present have the muscle to block the latter.

While power may obviate persuasion at the national level, there's nothing Clinton can do to stop governors such as Arne Carlson (R-Minn.) and Terry Branstad (R-Iowa) from pushing the same tax credit idea through their legislatures. And Clinton is undercut even more when local Democrats such as Milwaukee Mayor John Norquist spearhead full school choice.

Clinton's third Gorbachev-like action was national testing. His strongly held belief in tests obviously resonates with the voters. But renegade Democrat Diane Ravitch has argued even more passionately for a stronger test—no calculators, no bilingualism, and test results tied to real consequences (see article on page 14). Some sort of national test is likely to emerge. If that happens, the chasm between the performance of public and private schools will stand out in even sharper relief. The education establishment, of course, will argue that the solution is more money. But the pro-voucher arguments of African-American Democrats such as Floyd Flake, who is resigning his seat in the House to spend more time overseeing his church's private school in Queens, N.Y., will ring louder than ever.

The irony is that Clinton once supported vouchers. In 1990, he wrote a letter on official gubernatorial stationery to Democratic State Rep. Polly Williams of Milwaukee, who had been pushing vouchers through the Wisconsin legislature. "I am fascinated by that proposal," Clinton wrote, adding, "I'm concerned that the traditional Democratic Party establishment has not given you more encouragement."

That long-ago letter clarifies the difference that looms largest between Clinton and Gorbachev, despite all their similarities. Whereas the Russian was clueless about what might replace the system he was dismantling, Clinton's actions on behalf of Chelsea Clinton (Sidwell Friends '97) suggest that he understands, for example, that school choice is the best way to improve education.

So for all the positive change he has unleashed, the stain on Clinton's legacy is that he always knew how to improve the status quo. He just wasn't always willing to say it out loud. ♦

James P. Pinkerton worked in the White House under Presidents Ronald Reagan and George Bush. He is a columnist for Newsday, a contributor to USA Today, and a lecturer at the Graduate School of Political Management at George Washington University.

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Middle-Class Suitor

BY ALAN WOLFE

Bill Clinton's greatest legacy surely will be his reorientation of American politics. During his presidency, both major political parties rediscovered the middle class. This observation may sound odd. A majority of American voters are middle class, after all, and it would seem obvious that Democrats and Republicans would compete for their votes. Yet for decades the Democrats appeared to avoid the middle class, appealing either to the very poor or to upper-middle-class suburban liberals, while Republicans, even as late as the Reagan administration, developed policies and images that appealed to the very rich.

All that has changed. The Republicans have discovered that they have to put forth at least some populist ideas if they are ever to become a majority party. And whether in the style of Patrick Buchanan or Newt Gingrich, they have turned their backs on key elements of Reaganism. Likewise, the Democrats have realized that they must put their McGovernism to rest if they are to succeed. By pulling his party more to the center, where the middle class likes its political parties to be, Clinton not only halted the emerging Republican majority but gave the Democrats a base from which to attempt to recapture Congress.

For Clinton and the Democratic Party, welfare has been the issue most crucial to bringing in the middle class. Although middle-class Americans believe strongly that all people are obliged to help the poor when they are in trouble, they had increasingly come to see welfare as a flawed method of fulfilling that moral duty. Welfare, they believed, had evolved from a temporary program to get people back on their feet into one that encouraged permanent dependency. From the middle-class moral perspective, it is wrong not to have control of one's own life. And a person on welfare by definition could not be in control of his or her destiny. Whether Clinton was right to sign the Republican-inspired welfare reform legislation can still be debated. But what cannot be debated is that there was a deep sense in the country that something, even something radical, had to be tried to reduce welfare dependency.

Welfare, however, does not exhaust middle-class concerns about morality. In a forthcoming book *One Nation After All*, I report the results of interviews with 200 suburban Americans from across the country about their moral beliefs. Many respondents told me that to be middle class is to be suspicious of the extremes of great poverty and great wealth. They also told me they believe there is a form of upper-class dependency that parallels welfare dependency and that is equally suspect. If a person has sold his integrity and moral principles for cash,

from the middle-class perspective that person is just as unlikely to be his own person as a welfare dependent.

One of the most striking features of middle-class morality is the degree to which ordinary Americans consider politicians, especially those who are in debt to people with deep pockets, to be in roughly the same situation as welfare-takers or rich people who have sold out their principles. If a politician is rich enough to afford his own campaigns, he is not middle class by definition. Or, if he is middle class in origin, he must beg for funds and in the process lose the sense of autonomy and moral balance by which middle-class people believe they lead their lives. Either way, Americans increasingly think all politicians will not or cannot be middle class. That is reason enough for them to dislike politicians in general.

In their rush to create tax breaks and direct benefits for luxury-box-owning tycoons, the Republicans, for all their new-found populism, risk defying middle-class morality. In fact, they are giving the Democrats an opportunity to solidify their hold on the middle class. One way for Democrats to take advantage of this opening would be to sponsor vigorous efforts at campaign finance reform, which would help diminish public cynicism about the role of wealth in politics. Although Clinton often calls for such efforts, he rarely does so with conviction. By not taking on this fight, Clinton runs the risk of leaving his legacy half complete.

Campaign finance reform does not register high in the polls as a source of public concern. But people can respond to pollsters out of cynicism as well as conviction. My research convinces me that the misuse of wealth and power causes significant public unease. As both parties sell themselves to the highest and most self-interested bidders to finance uninteresting, if not negative, campaigns, the public turns down the volume. Democracy can survive under such conditions, as can the Democratic Party. But few are proud and almost no one is inspired.

If ever an issue called out for the kind of leadership a second-term president can provide, this is it. Campaign finance reform presents complicated constitutional issues, and politicians and their financiers will always find loopholes in even the most carefully drawn laws. But this ought not excuse the evasion of responsible leadership. Middle-class Americans will not give enthusiastic allegiance to a political system unless they are convinced that its leaders share their moral code. As long as the rich and powerful can blatantly buy legislation, the middle-class belief in moral balance, righted with respect to welfare, will be capsized by political corruption—no matter how legal and constitutional it may be. ♦

Alan Wolfe is a professor of sociology at Boston University. His book, One Nation After All, will be published in early winter 1998 by Viking.

THE CLINTON LEGACY TOMORROW

Four Ways the President Can Write His Own Page in History

Editor's note: So little time, so much to do. Three years is precious little time on Washington's political clock, and some would argue that a second-term president's ability to effect change evaporates rapidly after just one year. The authors of the next four essays can only hope that is not the case with this President. In their view, Clinton can burnish his legacy best by tackling the major issues of the day. For TND's view, please turn to the editorial on page 6.

Reshaping Public Education

BY DIANE RAVITCH

In his five years in office, President Clinton has shown that he cares more about education policy than did any of his predecessors. However, unless he launches a sharp midcourse correction, he will leave a disappointing legacy—increased funding for the status quo without systemic changes in the status quo.

The President's 1992 campaign document *Putting People First* proclaimed: "We have to work hard to see that every American school has a challenging, rich curriculum. . . . Too often our schools move people up the ladder whether they study or not, graduate people whether they know anything or not, and dump people in the workforce whether they have real skills or not. And that is wrong." Among other things, candidates Bill Clinton and Al Gore pledged to create "tough standards" and a "national examination system" to measure progress toward meeting those standards.

The President has fallen far short of these goals. His Goals 2000 program, which was supposed to prod the states into establishing high standards and good tests by the end of the century, was sorely compromised by congressional Democrats before it was enacted in 1994. Goals 2000 money was made available for a bevy of unrelated purposes. States also were barred from using exams paid for with Goals 2000 funds for promotion, retention, or any other purpose having consequences for students, which deprived the tests of any possible incentive value. Republicans completed the program's evisceration when they took control of Congress. Today, Goals 2000 funds can be used for almost anything that strikes the fancy of school officials.

National Standards and Tests

In his 1997 State of the Union address, President Clinton announced his intention to establish voluntary national tests for fourth-grade reading and eighth-grade mathematics. This was a big step in the direction of the "national examination system" that candidate Clinton had pledged. But then his administration proceeded to bungle the initiative. Historic changes such as the introduction of national testing cannot succeed without a solid base of political and popular support. But instead of building that base, the President permitted the Education Department to move precipitously and without congressional authorization to develop the tests.

Predictably, this attempt to do an end-run around Congress and create tests without bipartisan, independent oversight ran into huge trouble. Members of Congress who might have supported the tests had they been consulted beforehand became opponents; critics who claimed the tests were based on pedagogical fads opened fire in the press. The House voted overwhelmingly against funding the tests, and the Senate voted to transfer their control to the National Assessment Governing Board, which sets policy for federal tests now administered to samples of students. The initiative's fate remained in doubt as this magazine went to press.

Even if the tests go forward, the idea of national testing has been sorely damaged by the administration's ineptitude. Only a handful of states and a dozen or so big-city districts have agreed to participate; the controversy has caused many to steer clear. It is possible that the first administration of the tests may also be the last, since the federal government intends to pay only for the first round. At this point, it's fair to say that the Clinton administration has not yet created a solid foundation for the "tough standards" and "national examination system" promised in 1992.

School Choice and Higher Education

On the issue of school choice, the President can be rightfully proud of his support for charter schools, which now number nearly 800 and enroll more than 150,000 students in 23 states and the District of Columbia. The competition created by these new independent public schools has been healthy for public education.

Less admirable is the President's adamant refusal to

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permit states or localities to experiment with broader forms of choice. In particular, he has resisted even limited programs in which low-income students in big urban districts would get state scholarships to attend any accredited school, be it public, private, or religious. The President's allies in the teachers unions appear to have had the final word on this subject.

The President can claim credit for expanding access to higher education, but here too is a missed opportunity. He wants every student to complete not just high school, but two years of college. To that end, he has won additional funds and tax breaks for both poor and middle-class students. These moves, while immensely popular, duck the critical problems of pre-collegiate education: low standards, social promotion, and grade inflation.

Expanding access to college without insisting that students are adequately prepared is no accomplishment. Already, 29 percent of college freshmen need remedial education, and that percentage will only grow as the doors to college open wider. Increasing the ranks of college students (now at an all-time high) is not the crucial issue of our time; the crucial task is improving students' skills before they enter college so that they are more likely to stay on and graduate.

Establishing a Worthy Legacy

The President will get plaudits for other education initiatives—expanding schools' access to the Internet, paying for reading tutors, creating a national service program, to name a few. But none is sufficient to fulfill his promise to be the “*real* education president.” Without real changes in standards and accountability, the President will be remembered for leaving schools doing the very things that he criticized in 1992—moving people up the ladder whether they study or not, graduating people whether they know anything or not, and dumping people into the work force whether they have skills or not.

Bill Clinton knows more about education policy than any of his predecessors, and he can still establish his legacy as the education president. Here is what he needs to do:

- ◆ The President should abandon the politically motivated goal of having national tests in place by the time he leaves office in 1999. He should declare that he wants to lay the groundwork for a system that becomes a permanent part of American education. He must acknowledge that this will take several years to do right, but that doing it right is more important than doing it fast. He should turn over test development to an independent and bipartisan panel and pledge that no exams will be given nationally until they have been field-tested. The goal of national student testing is right; Americans need better information about student performance based on high standards. The President should take his case to the public and build the broad, informed, bipartisan support that national testing needs.

- ◆ The President should insist that students who seek federal grants and loans for higher education pass an examination. As Robert Samuelson has convincingly argued in *The Washington Post*, no one is entitled to federal aid for college; to get it, students should have to demonstrate college-readiness in reading, writing, and mathematics. Such a test would have an enormously positive effect on student behavior in high school. Today, students can get federal grants and loans even without a high school diploma. Making college aid available to students who don't work hard in high school undercuts the efforts of high school teachers and principals. A federal aid test would stimulate students to take their studies more seriously and save hundreds of millions of dollars in remedial costs now incurred unnecessarily by colleges and universities.

- ◆ The President should immediately change the focus of the federal Head Start preschool program for poor children. At present, Head Start emphasizes social development, which is important, but pays far too little attention to cognitive growth. This is a sadly wasted opportunity. The federal government could go far toward leveling the playing field for poor kids by providing them with a rich and intellectually stimulating curriculum in their formative years.

- ◆ The President should support choice, competition, and accountability in K-12 education. Just as American higher education has gained a reputation for excellence because of its pluralism and diversity, American public education will benefit if students and their families can choose among a variety of schools that compete to meet high standards. Single-sex education for adolescents, for example, is one model that offers promise; so do charter schools aimed at different constituencies; so do programs that allow public/private choice for poor kids.

With his detailed knowledge of American education, President Clinton could change the landscape dramatically for the better. Now that he no longer must worry about re-election, he is free to push hard for what is in children's best interest. He knows third-rate schooling jeopardizes their future. He knows that access to education is a good thing, but that access to high-quality schooling is far better.

President Clinton has done much to strengthen the existing system. But that is not enough. He has levers at hand to change it in important ways. If he uses those levers, he will be remembered as the President who reshaped American education for the 21st century. ◆

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The New Social Compact

BY WILL MARSHALL

President Clinton, having made good on his promise to "grow the economy," is basking in public approval. Even if a "Clinton recession" arrives in the next three years, as many economists think likely, he will still leave an important legacy for preparing the nation to win in the new global economy.

By restoring fiscal discipline, opening foreign markets, and spurring international efforts to set fair and reciprocal rules for trade, the President has laid a solid foundation for healthy and sustained economic growth here and abroad. His overriding task now is to ensure that all Americans can share in that growth.

Unlike many in his party, President Clinton grasps the new realities of economic integration and has argued persuasively that Americans must embrace rather than resist the global imperative. But to counter the backlash against globalization from both the left and the right, he must articulate an equally compelling domestic strategy for equipping all Americans to succeed in the new global economy.

The Collapse of the Old Social Bargain

Economic change has always created losers as well as winners. What's different today is that technological advances and globalization are rewriting the rules of economic competition. In the process, these forces are dissolving the social bargain that protected working families against the cruelties and volatility of industrial capitalism.

In the postwar era, public policies and informal understandings between big business, big labor, and big government promoted upward mobility, stabilized business cycles, and cushioned families during economic downturns. Americans looked to the national government to keep the economy stable and to their companies and unions to provide a secure livelihood in return for hard work and loyalty.

Since the early 1970s, however, slower growth, technological innovations, and global integration have eroded the big institutions' ability to hold up their end of the bargain. The assumption that most Americans would work in the same jobs or for the same companies for a lifetime is obsolete. No matter how enlightened a corporation, how militant a union, or how caring a government is, none can guarantee anyone a particular job for life in today's churning global marketplace.

The old social bargain doesn't work in what business writer Michael Mandel aptly describes as America's new high-risk society. We need a new social compact that lessens the dangers of economic change for all working Americans. It should reduce workers' dependence on big institutions and empower them to take charge of

their own bottom line. And it should be more than a simple redistribution scheme in which the winners in global competition compensate the losers. Rather, we need a comprehensive strategy for expanding the winner's circle by offering everyone lifelong access to career training; providing more effective help for workers in transition; enabling individuals to control their health insurance and pensions; and empowering workers to take an ownership stake in the new economy.

This approach rejects both the old left's reliance on big government solutions and the new right's breathless claim that the dawn of markets without borders inevitably means the twilight of government. Instead of either providing paternalistic caretaking or leaving people to fend for themselves, the new social compact should embody the key New Democrat principle of mutual responsibility—government should equip working Americans with the tools they need to manage their economic careers and security.

The Four Elements of the New Social Compact

A new social compact that empowers all Americans to succeed in the global economy should include these four elements:

A 21st Century School System

In the Information Age, knowledge is the wealth of nations. What working Americans need most from government is not insulation from global competition but a reinvigorated public education system that meets world-class standards of performance. Today, all workers—not just top managers and professionals—must become proficient learners. They must master the problem-solving skills that the best-paying jobs in the new economy demand.

Yet pumping more money into our factory-style school system is not the answer. Instead, we must replace today's highly centralized and bureaucratic public school monopoly with a system that is decentralized, flexible, innovative, and dedicated to excellence. Building such a system entails three key steps; setting high, common standards so that we can measure and compare student competency; expanding choice and competition to drive innovation in public education; and demanding accountability for results.

Replacing Welfare with Work

America's welfare system had many flaws, but none was more serious than its tendency to isolate low-income families from the world of work and responsibility. Over time, that isolation proved self-reinforcing, as long absences from work meant that welfare recipients were not exposed to either the discipline of work or the market's changing signals about what skills were in demand. In the name of compassion, the old system deprived poor Americans of any meaningful economic role. It told

them, in effect: Our economy doesn't really need you, so we'll dole out just enough public aid to allow you to subsist on the margins of one of the world's richest societies.

President Clinton's courageous decision to "end welfare as we know it" was a decisive step toward a very different compact with America's poor. The new bargain assumes that all work has value and that every citizen, regardless of circumstances, has something to contribute to the commonwealth. It does not abandon the government's duties toward needy families but redefines them, shifting public subsidies from things we don't want to encourage (i.e. idleness and dependency) to things we do (work and self-sufficiency). The new work-based social policy restores full citizenship to poor Americans by reconnecting them to the economy. Based on the progressive principle of mutual responsibility, it guarantees that no family with a full-time, year-round worker will live in poverty.

Lifetime Learning for All

A third critical challenge is to bridge the gulf between formal education and work. As earnings in the new economy increasingly track learning, America needs a comprehensive system of lifelong education and training that enables all workers to constantly update their skills or acquire new ones.

While President Clinton has lavished public resources on middle-class families facing big college tuition bills, he has offered only modest proposals aimed at helping non-college-educated workers caught in the global economy's down draft. Yet it is precisely these workers with middling skills who are at the greatest risk of falling out of the middle class as the Information Age eclipses the old mass-production economy. For them, the erosion of the old social bargain is no mere abstraction, but a palpable threat to their economic security. For them, globalization means plants moving overseas, workers getting "downsized" with scant prospects of finding other jobs that pays comparable wages, and companies demanding "give backs" on pay and benefits to put themselves on a stronger competitive footing.

The new social compact cannot restore the stable employment these workers once enjoyed. But it can stimulate greater public and private investment in developing the skills that today constitute these workers' main source of economic security. Government should redesign its employment and job-training policies to help workers adapt to the new economy's more flexible, high-performance organizations. And it should encourage businesses to invest more in training all workers, not just top executives.

Here are four specific examples:

♦ *Job-training vouchers.* Congress should act promptly on a Clinton proposal to replace a welter of ineffective federal job-training and adult-education programs for poor and displaced workers with a single pool of money to fund training vouchers for individual workers. This

innovation would let workers rather than bureaucrats decide where to find the training they need to secure good jobs and wages in today's fast-changing economy.

♦ *Career-opportunity accounts.* Workers shouldn't be forced to wait until they've lost their jobs to upgrade their skills. Congress therefore should fund an experiment with tax-preferred career-opportunity accounts that encourage all workers to set aside money to enhance their career skills throughout their working lives.

♦ *One-stop career centers.* In addition to more resources, working Americans need more effective links to training and job opportunities. We should replace the old state employment offices with a nationwide network of one-stop career centers operated by public agencies and private outfits. The centers would compete to offer employment services and supply reliable information and guidance to workers about training providers. To foster both competition and public accountability, Congress should require all training institutions, including community colleges and proprietary schools, to publicize data on results. This would let workers make intelligent choices based on known performance.

♦ *Equal access to taxpayer-subsidized training.* Most companies provide training mainly to highly paid employees and then write off the costs as a business expense. We should adopt a non-discrimination rule that requires any firm providing tax-free training to its managers and professionals to make comparable opportunities available to all its employees, not just its top executives.

Workers as Stakeholders

The essence of the new social compact is empowering all working Americans to share in the rewards as well as the risks of global competition. If the new economy demands that all citizens assume greater responsibility for managing their economic security, it also creates opportunities for workers to become stakeholders instead of cogs in the industrial machine.

The new tools of work—knowledge and problem-solving skills, the personal computer, and communications networks—empower the individual worker and facilitate more flexible, participatory ways of organizing work. They point to the possibility of a more democratic capitalism that breaks down hierarchies within the workplace and gives workers a chance to participate in strategic decisions, share in their company's success, and become owners as well as wage-earners.

Government, for example, can encourage businesses to adopt performance-based compensation and equity-sharing to give workers both real incentives to do their jobs better and a chance to share in the company's success when they do. We should extend the non-discrimination principle to compensation: Companies would have to offer all employees—not just executives—access to tax-favored, performance-based bonuses.

When wage earners change jobs, they should have the

same control as top executives over the principal sources of family security such as health insurance and retirement income. Along with providing a universal system of private health insurance that moves with the worker, we should make private pensions portable and gradually convert Social Security from a transfer program to a system of individual private savings supplemented by public pensions for the needy.

In addition, President Clinton should use his bully pulpit to stimulate a national discussion about corporations' responsibilities to workers and communities in a global marketplace, as well as about organized labor's need to develop a less adversarial model for protecting workers' interests.

As our stake in the global economy increases, so does our responsibility to ensure that all Americans have the opportunity to compete effectively. Like Woodrow Wilson and Franklin Roosevelt, President Clinton has a historic opportunity to reconcile the nation's democratic values with new economic realities. Striking a balance between economic innovation and security could be his greatest legacy. ♦

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Modernizing Social Security

BY WILLIAM A. GALSTON

Over the past six decades, the United States has built its own distinctive system of social insurance for its elderly citizens. As a result, tens of millions of Americans have enjoyed health, security, and independence. But today, the cornerstones of this system—Social Security and Medicare—are under intense pressure economically and politically.

Modernizing and stabilizing these programs for future generations is perhaps President Clinton's greatest remaining domestic policy challenge. He has the opportunity and, I believe, the responsibility to spark a public debate over how best to do so. That dialogue could yield the President's most significant and enduring domestic legacy. But if the effort is to succeed, the President must lead it.

The new Social Security Commissioner, Ken Apfel, recently observed that the coming debate over Social Security "will test this nation—test its values and what we stand for." That is clearly correct, and an important counterweight to those who see this issue in narrow fiscal or actuarial terms. But this debate will also test our capacity to respond to changing conditions while honoring enduring values. This will, in turn, challenge us to consider new ideas on their merits in a spirit of hope rather than of fear, and to avoid the reflexive political

rhetoric that turns every reform proposal into a plot to "gut" the program, "shred" the safety net, and "abandon" the elderly.

Enduring Values

There is a basic social compact at the heart of Social Security: As fellow citizens, we are interconnected in ways that transcend individual choice. While our lives will take very different courses, in some respects we agree to share a common fate.

Social Security rests on reciprocity—a balance between individual and social responsibility. All individuals must seek gainful employment and, when working, contribute their fair share to the system. In return, society helps every worker achieve a decent and secure retirement by providing a reasonable (not necessarily optimal) return on contributions.

But Social Security is intended as a foundation for retirement security, not its totality. All individuals are expected to build on that foundation—by saving, investing, or contributing to a private pension when available. Of course, workers with different incomes will be able to save to different degrees. Social Security necessarily represents a larger share of retirement income for lower-income than for higher-income workers—a fact we must take into account as we consider how to honor our continuing responsibility to one another.

Beyond providing reciprocity, Social Security balances our individual and our common needs. One could imagine a retirement system in which everyone received the same benefits, regardless of the size of individual contributions, or, alternatively, a system in which benefits were in strict proportion to contributions. Social Security is at neither extreme: Wage earners who make larger contributions do receive larger benefits in retirement, but most lower-income earners receive a higher rate of return on their contributions. In part, this reflects the fact that we are not entirely sure how we will fare in life's economic lottery. We willingly give up maximum returns to insure ourselves against the possibility that we will retire on less favorable terms than we now anticipate.

Social Security is mandatory. This reflects our shared understanding that not all individuals would adequately provide for their retirement otherwise. For the most part, even the most severe critics of the current Social Security structure acknowledge that government should require individuals to provide for their retirement.

Social Security also reflects our shared understanding that, in a modern society, public programs play a leading role in helping us honor the Biblical injunction to honor our parents. Neither retirees nor their working-age children would willingly return to an era when the elderly were directly dependent on younger family members. Social Security thus represents a combination of generational interdependence (through the system's contributory provisions) and generational independence



Clinton should foster the public dialogue that can help reform Social Security in a genuinely democratic way.

(funds flow directly and reliably from the government to individuals rather than from family members at their discretion).

Finally, Social Security embodies the understanding that government has a role in creating and maintaining stable expectations that individuals can rely on as they make life choices. The point is not to eliminate uncertainty, but to confine it. This principle constrains our choice of changes to the program. Workers at or near retirement should not be forced to make changes to which they lack the time and resources to adjust.

New Conditions

Societal changes since Social Security's invention more than six decades ago are forcing us to rethink how to provide all Americans with a secure and decent retirement. The first set of changes is *demographic*. Americans today live much longer than they did before World War II, and some analysts believe our longevity will increase at an even more rapid rate in coming decades. The aging of the baby boom generation will impose huge new costs, which will accelerate after 2010 and which will have to be financed by the payroll taxes of the much smaller baby bust generation born from 1965 to 1980. Furthermore, a system designed in an era with low rates of divorce and few working women is ill-suited to today's realities.

There have been important *economic* changes as well. The shift from an industrial to a service economy permits aging Americans to remain effective workers far longer than before. In the 1930s, policymakers coping with high unemployment sought to promote the retire-

ment of aging workers to make room for younger workers. Now policymakers face the opposite problem: low unemployment, coupled with a workforce that will soon shrink relative to the number of elderly Americans needing support. And thanks in large part to Social Security, the economic circumstances of older Americans have improved dramatically, both absolutely and relative to younger workers.

Social Security itself is changing. The system is now mature, with workers contributing for their entire working lives before receiving benefits. It is no longer possible, as it once was, for all workers to receive returns far in excess of their contributions. Rates of return are declining for most workers and turning negative for some. The failure of the 1983 Greenspan Commission to deliver on its promise of long-term financial stabilization has called attention to the system's structural deficit, now placed at more than 2 percent of total payroll over the next 75 years.

The policy context is changing as well. Now, unlike 60 or even 30 years ago, Social Security must be addressed in tandem with other important issues affecting the elderly. In particular, the Medicare fiscal crisis is more imminent and far more acute. If Medicare's stability depends in part on a large infusion of new public resources, as many analysts believe, it would be irresponsible to commit new tax dollars to Social Security without carefully considering the programmatic and political opportunity costs.

Finally, *public opinion* is shifting. By this I do not mean the much-debated loss of confidence in Social Security. Rather, I refer to an increased understanding, fueled by the surge in the stock market, of the long-term disparity between returns on equities as opposed to bonds; to increases in individuals' investment options and the availability of timely information on which to base investment decisions; and to changing attitudes, especially among younger workers, toward self-reliance, greater individual choice, and acceptable levels of risk in retirement programs.

Educating the Citizenry

Within this context of changed conditions and enduring values, there is room for significant debate about how to modernize and stabilize Social Security. Should we phase in a significant increase in the retirement age, above the increases contemplated in current law? Should we reverse long-standing incentives for early retirement, which have reduced workforce participation rates by men 65 and older by more than two-thirds over the past half century? Should we make the system more responsive to women who work outside the home and to younger families with dependent children? Should we increase individuals' control over their retirement strategies? Should we invest new public resources in Social Security or focus instead on adjusting the benefits structure?

These and many other questions call not only for

technical expertise and policy experience but for public understanding, judgment, and consent. As Social Security Commissioner Apfel has rightly said, this issue cannot be resolved without an "educated citizenry, corny as that sounds."

During the past five years, President Clinton has demonstrated his ability to master and explain complex policies to the American people. He should use his gifts, harnessed to the powers of his office, to foster the public dialogue that can help reform Social Security in a genuinely democratic way. In so doing, he can restore trust in the capacity of our tattered democratic institutions to conduct the people's business fairly and honorably. ♦

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Building Regional Prosperity

BY HENRY G. CISNEROS AND
MARC A. WEISS

During his first term, President Clinton focused on building a strong national economy. And despite the stock market's recent gyrations, his economic program has been a clear success. Still, an alarming number of inner-city neighborhoods remain devastated by joblessness. This lack of meaningful employment has walled off a generation of youth from the wider community and left them with little hope for a better future. The President's challenge now is to build on the solid economic foundation he has created and enable inner-city youth to live with the dignity of work instead of the stigma of welfare, crime, teen parenthood, and drug abuse.

At the White House, the Department of Housing and Urban Development, and other agencies during the President's first term, we generated new ideas and fresh approaches to longstanding urban problems. We replaced the old paradigm of bureaucratic programs that reinforce dependency with a new paradigm of empowerment that puts tools directly in the hands of individuals and communities and generally gets government out of their way. We began working with the urban private sector rather than against it. We brought homeownership to an all-time high, within reach of millions more Americans, especially women, minorities, legal immigrants, and young families. We emphasized work over welfare and expanded employment and training opportunities. We insisted on personal responsibility as the necessary flip side to rights and instituted community policing and tough law enforcement. Finally and perhaps most dramatically, we demolished 30,000 units of

vacant and deteriorated high-rise public housing and replaced them with attractive, mixed-income townhouse developments.

While it may take many years to solve urban problems accumulated over decades, President Clinton has set us on the right course.

The Next Challenge: Thinking Regionally

But if we are to fully revitalize the cities, we must begin to look beyond the cities. This is not as paradoxical as it sounds. Even a cursory look at the new economy reveals that metropolitan regions have become the building blocks of national prosperity and improved quality of life. The dynamic industry networks that are driving economic growth operate regionally in all their facets—production, research, labor, supply, sales, and distribution. The fates of urban, suburban, and outlying communities are inextricably linked by the metropolis, which cuts across city and county boundaries and in some cases even state and national borders.

The future health of urban communities depends on regional thinking and action. We must act regionally because businesses do. When they make decisions to locate or expand a facility, they look at the entire metropolitan area—its transportation and infrastructure, its workforce, its educational and cultural institutions, its environment and amenities, and its existing industry networks. We must act regionally because workers and consumers do. People who commute to work and shop increasingly do so throughout their metropolitan regions. We must act regionally because all of our major institutions do. Universities, hospitals, museums, sports teams, print and broadcast media, performing arts groups, convention centers, churches and synagogues, labor unions, civic groups, foundations, and charities—all serve a metropolitan population rather than hiding behind neighborhood walls.

We also must act regionally because problems once confined to the inner city have spread to the suburbs. Unemployment, anemic tax bases, troubled schools and neighborhoods, deteriorating housing stock, crime, and environmental degradation are now part of our suburban legacy, particularly in older inner-ring suburbs. From south of Chicago, to north of Minneapolis-St. Paul, to east of our nation's capital, the revitalization of urban America must include suburban America.

Regions as diverse as Austin, Texas, and Akron, Ohio, are pointing the way to successful metropolitan economic renewal. During the past decade, Austin has transformed itself from a state capital and university town to one of the nation's fastest growing computer technology centers. Akron, meanwhile, reacted to the demise of its tire manufacturers by becoming the world capital of science and engineering for polymer-based synthetic materials. In both cases, civic leaders from the public and private sectors and research and educational institutions

worked in partnership to design and implement a winning regional strategy.

Connect and Invest

Efforts to expand economic prosperity and improve the quality of life throughout our metropolitan regions cannot succeed without directly addressing the problems of the inner cities and inner-ring suburbs and the people who live there. We need a two-pronged approach that both invests in and connects people and places.

Connecting Urban Residents to Metropolitan Prosperity

Much of the nation's job growth is occurring outside the central cities, near suburban airports, warehousing districts, research parks, technology centers, and shopping malls. Many of these businesses are actually suffering severe labor shortages. At the same time, large numbers of people in our cities and inner-ring suburbs have no jobs. Connecting urban residents to regional employment growth areas is the most important economic challenge of our time. The onset of work-based welfare reform makes this task even more vital. Our agenda must include: basic education and job skills training, transportation and child care, networking and job placement, and other supportive services.

Fortunately, we have many good models to emulate. In St. Louis, for example, the East-West Gateway Coordinating Council, a regional transportation planning agency, is using federal and foundation grants to train inner-city residents for suburban jobs, match them with employers, and transport them to their new work sites. And in Baltimore's federal Empowerment Zone, a community development corporation known as HEBAC is using funds from HUD's Bridges to Work initiative to connect inner-city workers to suburban jobs near Baltimore-Washington International Airport.

Investing in our Cities and Inner-Ring Suburbs

Connecting the urban poor to regional jobs is only half the task. We also must begin to rebuild our central cities: repair their crumbling infrastructure, expand their job bases, make their neighborhoods more livable and attractive to the middle class, improve their schools, and make their streets more safe and secure.

Even in the new world of metropolitan economies, cities remain their regions' most visible symbol and are still an important asset. Cities serve vital economic functions, as centers of innovation and advanced services; transportation and trade; education, research, and health care; culture, conventions, sports, entertainment, and tourism; labor and consumer markets.

Metropolitan Atlanta is one of America's fastest-growing regions. But Atlanta's business and civic leaders long ago recognized their region could not be "world class" without a vibrant city at its core. So, they used the 1996 Summer Olympic Games as an opportunity to re-

build the downtown and surrounding neighborhoods and make the city more attractive to businesses, suburbanites, and tourists from around the world.

In Cleveland, regional business and civic leaders rallied after the city's 1981 bankruptcy to rebuild the downtown with \$4 billion of new investment. Now, they are focusing on rebuilding inner-city neighborhoods through homeownership, including the construction of more than 600 new homes in the HUD-financed Homeownership Zone.

Similarly, Detroit's reinvigorated automotive industry and its dynamic new mayor, Dennis Archer, have forged a partnership to reinvest in the downtown and revitalize the city's neighborhoods. The Big Three automakers have pledged to do more business with minority-owned parts suppliers in the city's Empowerment Zone, creating thousands of jobs and millions of dollars in new business opportunities. Meanwhile, public and private investment is flowing into downtown Detroit for office buildings, sports stadiums, casinos, performing arts centers, hospitals, universities, and hundreds of new homes and condominiums.

Bringing People and Communities Together

If President Clinton makes the conceptual leap to "thinking regionally," he can build a powerful legacy of healing and rebirth for urban America. And he will have plenty of help in the process. "New wave" mayors—including Democrats Archer of Detroit, Edward Rendell of Philadelphia, and Richard Daley of Chicago, and Republicans Richard Riordan of Los Angeles, Stephen Goldsmith of Indianapolis, and Rudolph Giuliani of New York—understand the new regional dynamic and can be counted on as allies. The President also can turn to the rapidly growing ranks of female and minority entrepreneurs, who are proving to be effective leaders in bringing diverse constituencies into the mainstream of urban policy and prosperity.

There is a new spirit in urban regions across the country, invigorating public-private partnerships that are making city streets cleaner and safer, expanding employment and homeownership, raising incomes, and improving schools. Democrats, Republicans, and independents are proving they can work together on common strategies of regional prosperity and community empowerment. If President Clinton builds on these efforts, he can help restore vitality to urban America and simultaneously help heal the many wounds that still divide our nation. That would be his most impressive legacy of all. ♦

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THE ADVENT OF INFOMEDICINE

Performance Measurement Is Changing the Face of Health Care

BY MICHAEL L. MILLENSON

In 1970, the American aerospace industry was considering whether to build a fleet of supersonic passenger airplanes similar to France and Britain's Concorde. Since development hinged on a substantial federal subsidy, a fierce debate broke out in Congress. Critics warned that the plane's exhaust during its flight in the stratosphere would damage the ozone layer. The plane's advocates stoutly denied the accusation.

At the time, I was researching the plane as a congressional intern, and I asked a well-known senator about the alleged pollution problem. He promptly dismissed it by citing his experience as a pilot. He had flown right next to planes at that altitude and gazed directly at the tailpipes. "There was nothing coming out of there," the legislator assured me. Sincere as this eyewitness report was, it was contradicted by objective scientific analysis. Congress refused to finance the plane for environmental and economic reasons, and the project died.

Observers of American medicine often fall into the same trap as the senator. Just as the supersonic passenger plane's speed enthralled aviation fans, American medicine's technological triumphs can mask its serious flaws. Like a supersonic jet's emissions, these shortcomings become clear only when one examines the scientific evidence.

The evidence shows that a very small percentage of contemporary medical practices have been scientifically validated, while effective therapies can take years to become common. Medical textbooks are frequently outdated, and journals go unread or unheeded. According to one study, when a group of doctors is asked whether the care in a particular case meets the highest professional standards, the "physician agreement . . . is only slightly better than the level expected by chance."

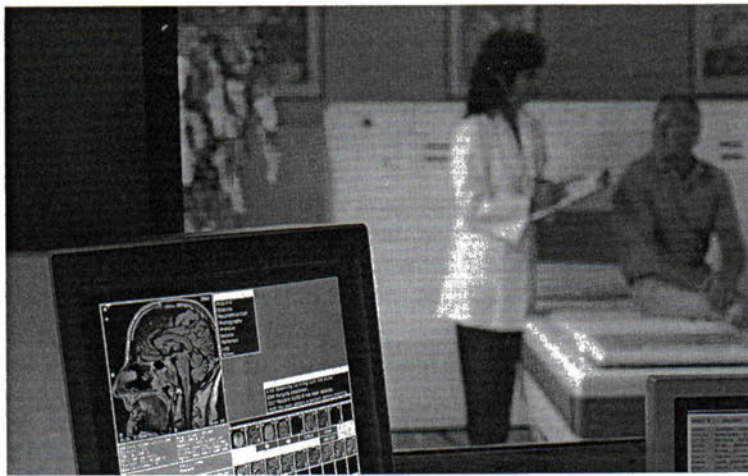
In illness after illness and disease after disease, there is almost random variation in how different doctors treat patients with similar clinical symptoms. In the absence of reliable information about the outcome of care, patients and physicians alike accept proxies such as "trying hard," "doing everything," or "caring." Yet the heart surgery team whose patients consistently die at a higher

rate than expected may well be trying just as hard as the team whose patients are more likely to live. The intensive care unit in which a greater-than-expected percentage of patients die may be just as well-equipped as the ICU where many more patients survive. And the physician who is the most caring may not always be the most competent.

New Villains, Same Old Plot

What holds true for the individual physician-patient relationship also characterizes our public policy. The United States has argued on and off about health care "reform" for most of the 20th century, but the debate has centered more on insurance arrangements than on the content of care. Today, the stock villain of "socialized medicine" that dominated the public policy debate for so long has simply been replaced by "greedy capitalists." Like a spy movie retooled for the post-Cold War era, the characters have changed while the plot remains the same. In the case of health policy, the public is cautioned that it faces a choice between medical decisions made by "good" doctors or by "bad" government and managed-care bureaucrats. Preserving maximum physician freedom "preserves" high-quality medical care; any other path leads inexorably to ruin.

This good guys-bad guys script was played out in late 1996, when the revelation that a few health plans were denying overnight hospital stays to women with mastectomies blossomed into a national scandal. Outpatient mastectomies, it was said, graphically illustrated the danger of letting bureaucratic "bean counters" override physicians' judgment. Yet an equally worrisome story about breast cancer earlier that same year attracted far less attention. A Dartmouth Medical School study showed that nearly 35 times as many elderly breast cancer victims received mastectomies as got breast-conserving surgery. This study deviated sharply from the standard plot: Unlimited freedom for physicians produced not reliable excellence, but enormous variation.



Which is more disturbing, a woman's being treated callously after losing a breast to cancer or her unnecessarily losing that breast in the first place? One might respond that motivation is the critical difference: The health plan was trying to save money, while the surgeon was trying to save a life and did not knowingly recommend inappropriate treatment. While this formulation perhaps excuses the individual doctor, it begs the larger question of why the profession as a whole tolerates such widespread variation from achievable excellence.

In fact, the absence of good information systems in medicine is as intentional as any health plan's budget cuts. There has been little effort to systematically examine what treatments work best, little effort to help doctors consistently apply scientific findings to patient care, and little or no effort to hold doctors accountable for improving care. To the contrary, "defining what does and does not work in medicine is a professional responsibility of the highest order . . . [but it is] one that physicians have resisted," as Samuel Thier, then-president of the National Academy of Sciences' Institute of Medicine, acknowledged in a 1991 article.

From ulcers to urinary tract infections, tonsillitis to organ transplants, back pain to breast cancer, asthma to arteriosclerosis, the evidence is irrefutable. Tens of thousands of patients have died or been injured year after year because readily available information was not used—and is not being used today—to guide their care. If one counts the lives lost to preventable medical mistakes, the toll reaches the hundreds of thousands. The only barrier to saving these lives is the willingness of doctors and hospital administrators to change.

The practice of medicine can be dramatically improved. The opportunities for consistent excellence are real and within our grasp. We have seen that patients who share responsibility for decisions about their care often enjoy better health than those whose doctors act out a traditional paternalistic role. Their care can cost less, too. We have seen the growing use of health status measurements that gauge the success of treatment based on how well the patient functions afterward in everyday

life. We have seen how reaching out to the chronically ill and other vulnerable populations can help people who otherwise would fall through the cracks of the health care system. And we have seen that such changes do not happen easily or quickly. Still, thanks to the convergence of three powerful forces, a new kind of medical system is finally emerging.

Marcus Welby, Meet Adam Smith

The first and most important motivating factor is economics. Demand for medical care is steadily increasing (there are already as many Americans over 50 as under 18). At the same time, technological discoveries continue to make expensive treatments such as organ transplants routine. Yet resistance to higher health care spending has never been greater. Medicare and Medicaid expenditures are hemmed in by drum-tight federal and state budgets and public antipathy to either deficit spending or higher taxes. In the private sector, low inflation and intense international competition mean that higher medical costs can no longer be tucked unnoticed into a price increase for a product. New accounting rules have also forced companies to reduce today's profits to account for tomorrow's expected retiree medical expenses. This linking of health care costs to the balance sheet has put the issue of cost containment permanently on the agenda of America's most powerful corporations.

A 19th century British novelist wrote: "A reform is a correction of abuses; a revolution is a transfer of power." Managed care, corporate purchasing coalitions, and state health-data organizations are all weapons of revolution. Their common purpose is to take power away from the suppliers of care and give it to the buyers. The sellers' loss of power has, in turn, exposed the results of years of immunity from economic accountability: too many medical specialists, too many hospital beds, too many unnecessary procedures and surgeries.

When the suppliers (doctors and hospitals) held power, they fiercely resisted comparisons. In a competitive marketplace, however, superior performance cannot be rewarded unless it can be identified. Consider the following exchange in an Internet discussion group. Wrote one participant: "I am wondering if anyone has encountered effective mechanisms or methods for persuading physicians and other clinicians to participate in outcomes projects. We are encountering a little resistance with some surgeons." Back came the reply: "Tell them that tracking outcomes will demonstrate what a good job they're doing, it will get them more patients, and if they don't, they'll be out of jobs, since everyone else is . . ."

Health plans are rushing to grab the quality measurement and management banner. HMOs have been stunned by the magnitude of the backlash against cost-cutting excesses. In self-protection, the industry has

endorsed ever-more ambitious reporting requirements and accreditation standards from its trade group and from the voluntary National Committee for Quality Assurance.

Just as the sellers of care are embracing quality measurement from motives that mix self-interest and idealism, so too are the buyers. Contracting with a health plan that does things right the first time may be less expensive; "Quality is free" is how management consultant Philip Crosby memorably phrased it. Moreover, considering quality as well as cost may well help companies avoid lawsuits and other negative economic consequences of subpar care.

The Advent of "Infomedicine"

The Internet exchange cited above highlights the impact of technology, the second major force behind the quality measurement and management revolution. Traditional sources of information in medicine are giving way to an "infomedicine" that both incorporates new kinds of information and uses traditional kinds in new ways. The health care industry, accounting for an estimated one-seventh of the U.S. economy, is finding itself (willingly or unwillingly) swept into the digitalizing of America.

Like much else in quality measurement in medicine, using computers has been technically possible for a long time. The technology was available, and some research pioneers were using it. But computers were expensive and exotic, and it was easy to ignore their capabilities even as late as the 1980s.

Today, by contrast, many doctors realize that computers are essential for helping medicine deal with its 21st-century version of the Industrial Revolution. Throughout the country, hospitals and physicians are banding together into integrated health systems that require sophisticated clinical data both for internal management (to produce a consistent "product") and for external marketing. As health systems evolve to coordinate sickness care and wellness outreach, the need for better information systems will become even more urgent. Medical leaders see these systems as a chance to preserve physician autonomy and ward off micro-management.

"Are we going to manage the care of the sick or are we going to manage the providers who manage the sick?" demands Dr. Robert Waller, chairman of the Mayo Foundation. "What we will all ultimately be accountable for is quality."

The Spirit of the Times

The third powerful force for change is the *Zeitgeist*, or spirit of the times. Intellectual and social trends can help an idea flourish or let it wither. In our times the information explosion, the global marketplace economy, and a general acceptance of the principle of accountability are all helping to advance the objectives of the quality

measurement and management movement.

For example, education was once considered impervious to objective measures of achievement. Now, policy analysts discuss national standards, teacher competency tests, and linking reimbursement to results. Similarly, Vice President Al Gore speaks of turning government agencies into "performance-based organizations." In the business arena, meanwhile, intense global competition has underscored the importance of systematic measurement and improvement.

In this environment, how long can the local hospital continue to plead ignorance about the treatment in its emergency room? How credible is it for a health plan to be in the dark about which members have diabetes? How believable is it for every surgeon to claim, when asked about outcomes, "My patients are sicker"?

The concept of quality measurement and management is now becoming integrated into the mainstream of medicine. For example, the idea that employers should contract with health plans based on both cost and quality measures has been endorsed by major business organizations and featured in national business publications. Virtually every medical specialty society has formed a committee to evaluate outcomes measures. Similarly, scholarly articles about medical quality, appropriateness, and cost-effectiveness have become routine in clinical literature. Equally important, courses in evaluating clinical effectiveness are making their way into the medical school curriculum.

Destruction Often Precedes Renewal

For all the progress that has been made, however, this remains a young and fragile revolution. Systematic quality improvement is not easy, culturally or technically, and it can be expensive. Even in the most advanced markets, candid physician leaders acknowledge that the pressure for accountability must continue if the transformation is to be completed.

Will we—patients, medical professionals, citizens—be better off with a health care system based on performance measurement? Certainly there are dangers. Consistent excellence will always be a challenge to the human soul, not just the intellect.

Critics worry that information-based medicine will devalue the human touch. But this is no more true of using a computer than of equipping doctors' offices with telephones. In fact, the opposite may well be true. "There is a real possibility that the information highway and reorganization of the health-care system can create an opportunity for the physician, in collaboration with other members of the health care team, to provide an even more sensitive, caring, and compassionate service to their patients and society," says Kenneth Shine, president of the Institute of Medicine. "To the extent that data make the practice of medicine more scientific, health care reform could bring both science and caring to a new

high level over the next decade."

The destruction of the old ways of medical practice may well cause anxiety, but it should not be a source of despair. Patients and care givers alike should celebrate better days ahead. Destruction often precedes renewal, and it is in that renewal that the future of American medicine lies. ♦

Michael L. Millenson is a member of the health care and group benefits consulting practice of William M. Mercer Inc. and a

visiting scholar at Northwestern University's Institute for Health Services Research and Policy Studies. This article was excerpted from his new book, Demanding Medical Excellence: Doctors and Accountability in the Information Age (University of Chicago Press, 1997). © 1997 by The University of Chicago. Millenson's recent report for the Progressive Policy Institute's Health Priorities Project, entitled Beyond the Managed Care Backlash: Medicine in the Information Age, is available on the World Wide Web at <http://www.dlcppi.org/adobe/health/millens.pdf>.

THE FIRST LESSON

Character Education Is no Magic Bullet, But it Can Help Improve Our Public Schools

BY KATHLEEN KENNEDY TOWNSEND

Fort Foote Elementary School, which lies just outside the District of Columbia border in Fort Washington, Md., faces problems typical of urban public schools. On their way into school, students step over the shards of broken liquor bottles that neighborhood gang members tossed aside the night before. Outside the school's walls, these young children live amid chaos and violence.

Earlier this year, Principal Robyn Zgorski was having trouble with a student, so she walked him home to talk to his mother in person. The mother wasn't home when they arrived. The boy then looked the principal in the eye and said: "There's a gun in my house, I know where it is. It's in my brother's room, on the shelf in the red bag. I know where he keeps the bullets."

"I'm going to get the gun and shoot you."

The boy was seven years old.

Despite the mayhem encircling Fort Foote, there is peace within. This spring, the school went 120 days without a fight. Disciplinary referrals are down sharply. The hallways are clean and orderly. The lunchroom is about as noisy as the average restaurant. In the classroom, children are engaged and spirited, but they talk in turn and listen to their teachers.

The majority of students not only behave well, they stand up to friends who do not. When a small group of fifth-graders was asked, "Is it hard to tell your friends that you don't like the way they are acting?" one student, Ashley, didn't hesitate: "Oh no. We're leaders, and we have a responsibility to the other students and to our teachers and to our school. And we have the bravery and courage to stand up and tell them when they're acting bad." Another girl, Kelly, added, "Yeah, what's there to fear?"

Teaching Children To Be Good

Listen to the words coming out of the mouths of these children: "leaders," "responsibility," "bravery," "courage." All public schools should be teaching these values; all should be such a model of order and achievement. And they can be.

My home state, Maryland, is the first in the country to implement statewide a reform known as character education. Our goal is to get every school, in all its facets, to teach the civic virtues at the core of our culture—virtues such as courage, respect, responsibility, compassion, and integrity.

Hundreds of schools around the country have experimented with character education with results just as remarkable as Fort Foote's. The challenge now is to analyze what works and what does not. What practices are replicable? How can we systematize character education?

This is something I have worked on for many years. I saw the potential for character education during my work to make Maryland the first state to make community service a high school graduation requirement. Students facing the requirement leaped at the opportunity to do good. I realized the need for and the deep potential of a comprehensive character education initiative. When Gov. Parris Glendening asked me to spearhead Maryland's crime control and prevention efforts more than two years ago, I didn't want to simply punish kids for being bad, but to teach them to be good.

The character education initiative was based on four principles. First and most fundamentally, we insisted that schools could in fact teach good character. Second, we agreed on the need for maximum community in-

volvement. Third, we agreed that we needed a central, statewide character education office to coordinate schools' efforts and hold them accountable. Finally, we knew we would have to set standards to get schools thinking in terms of results.

Morality Isn't Programmed

Morality is not programmed into our genes, as our stratospheric crime, drug abuse, and teen pregnancy rates prove many times over. Children must be *taught* to be good, as they are being taught at Fort Foote. They learn to be good the same way they learn anything: by hearing, by seeing, and by doing. That is, they learn by being told what qualities are good, by witnessing examples of moral behavior, and by practicing these virtues themselves.

Schools can't teach these lessons simply by adding a course titled "Character." Moral questions aren't independent from our daily lives. The best way to teach morality is to integrate it into the everyday workings of the school. The whole culture of the school needs to be changed, not just the curriculum. This gets to the root of schools' educational mission. How can children learn American history and the meaning of democracy, for instance, without understanding, in the most personal and direct manner, the spirit of community service, justice, civic participation, and freedom?

It is important to describe what character education is not. No students are tested on their political or religious beliefs. There is nothing political or even controversial about the virtues our schools teach. The qualities are, simply, those that the overwhelming majority of parents want their children to practice. More to the point, they are the qualities that the nation needs its students to practice if we are to reduce disruptive behavior, delinquency, drug abuse, and teen pregnancy, and to prepare our children to participate fully in our democracy.

Small Changes Yield Big Results

At Fort Foote Elementary, the first 15 minutes of every school day are now devoted to a class discussion of the week's character topic (e.g. generosity, honesty, integrity) and behavioral topic (telephone etiquette, restaurant manners). Students read aloud essays they've written on the topic and hear comments from teachers and classmates.

There have been other changes as well. A cadre of trained student mediators arbitrate petty disputes between classmates before they spin out of control. The students vote for a "citizen of the month," who is featured with his or her family on a bulletin board in the hallway.

These are small changes, to be sure. But they have added up to something greater and have brought about an unmistakable shift in the school's culture. Students

congratulate other students who have read aloud essays on courtesy and generosity. Citizens of the month become schoolwide celebrities for being honest and brave. Peer mediators become leaders for helping others work through their problems.

This works because every child is starved for the approval of his or her peers. Sometimes students fit in because of their clothes; sometimes, because of their gun. But Fort Foote has redirected that desire toward citizenship. The students' need to belong hasn't changed, but the manner in which they do belong has. And the entire school has changed as a result.

"Why Didn't We Have This Sooner?"

Character education is not a magic bullet, but it can profoundly affect children's behavior in and outside the classroom. A survey of nearly 200 schools around the country that had instituted such programs found that 77 percent reported fewer disciplinary problems; 68 percent saw attendance increase; and 64 percent experienced less vandalism. In the first three years of a character education program at one New Haven, Conn., high school, teen pregnancies per year dropped from 16 to zero.

Of course, parents are children's best teachers of appropriate behavior. If parents treat others with concern and compassion, love their children, and respect the law, odds are their children will turn out well. However, no one is served—least of all parents—when children are sent into a moral vacuum for seven hours each day. Character education is meant to supplement, not supplant, good parenting. We should acknowledge, though, that not all children are lucky enough to have good parents. Some parents do not teach their children to respect others or to obey the law. For these children, the school may be the only teacher of moral behavior.

Maryland parents have shown near-unprecedented support for character education. Jim Sarnecki, the Baltimore City Schools character education coordinator, reports that even with about 50,000 elementary students involved in his character education programs, he has not heard a single objection from a parent. The only complaint he does hear is, "Why didn't we have this sooner?"

Alexis de Tocqueville said that America would remain great as long as it remained good. For a long time, building the character of our children fell off our collective list of priorities. It's time we put it back on top. ♦

Lt. Gov. Kathleen Kennedy Townsend of Maryland chairs the state's Cabinet Council on Criminal and Juvenile Justice. To learn more about the state's character education initiative, call the lieutenant governor's office at 1-800-811-8336. Additional information on K-12 education is available on the DLC-PPI World Wide Web site at <http://www.dlcpqi.org/texts/social/ischool.htm>.

YES, WE CAN ALL GET ALONG

Without Much Fanfare, the Promise Keepers Are Busy Demolishing Racial Barriers

BY JONETTA ROSE BARRAS

As a teen-ager at New Orleans' McDonogh #35 Senior High School in the early 1970s, I had already begun to spew the racially explosive Black Power language that expressed the prevailing mood of many African-Americans. With my hair in an Afro and my fist in the air, at protest marches I shouted invectives at any white who dared come near or dared to challenge our philosophy. "By any means necessary" was our motto, even if that meant "offing" the "pigs" or "honkies."

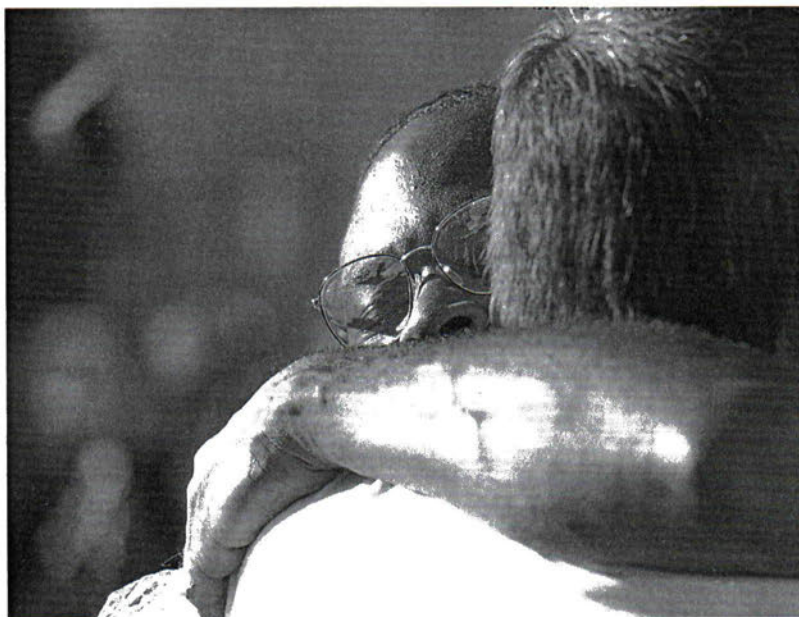
A decade earlier, the Rev. Martin Luther King Jr. dreamed of a day when "little black boys and black girls will be able to join hands with little white boys and white girls as sisters and brothers." But that was his misdirected vision, not mine. Freedom could never arrive in racist white America, I reasoned. In 1903, W.E.B. Du Bois predicted the problem of the 20th century would be "the problem of the color line." I saw no evidence he had been wrong or that things would change dramatically.

In 1997, Du Bois' prediction rings more true than he might ever have imagined. As Dale Minami, an Asian-American activist in San Francisco, recently said in *The Washington Post*: "You see Chinese parents fighting admission policies that favor blacks and Hispanics. You see hate crimes increasing among African-Americans, Asians, and Latinos. Today, the tensions in America are multiracial. Everybody has a problem with everybody, to be honest."

The Search for Solutions

Clearly, America is as fractured by race today as it was that August afternoon 34 years ago when King shared his dream. Nationally, citizens and their leaders are searching for ways to reconcile the races. Earlier this year, Rep. Tony Hall (D-Ohio) and five other lawmakers introduced bipartisan legislation that would have required Congress simply to apologize to blacks for slavery. President Clinton, meanwhile, established a commission last June charged with creating a "national dialogue on race."

But all this hand-wringing seems to have led nowhere. Hall's proposed apology was so roundly criti-



cized you would have thought he had called for the bombing of an ally. He eventually pulled the bill. The President's race commission hasn't fared much better. The five-member panel can point to little for the \$4 million invested in the operation. The first presidential town hall meeting on race won't be held until December at the earliest, months after the commission's creation. Clinton has "got to do more," said George Mason University professor and longtime civil rights leader Roger Wilkins. "He can't have a meandering conversation. This situation has to be animated by the President's energy and so far . . . that energy doesn't seem to be focused."

Then there is California's anti-affirmative action Proposition 209, the Texaco "jelly bean" episode, and the black-Hispanic power struggle over the Dallas public schools ignited by a racially tinged corruption inquiry—all raising the question, will racism in America ever be buried?

Hope From an Unlikely Source

Amid this turmoil, hope for genuine progress toward racial reconciliation is coming from an unexpected source—the Promise Keepers men's movement begun by former college football coach Bill McCartney. Political pundits have focused almost exclusively on charges—

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THE PRESIDENT HAS SEEN

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Office of the Prime Minister,
Government House, Bangkok

19 December B.E. 2540 (1997)

Dear Mr. President,

It was a great pleasure to see you again at the APEC meeting in Vancouver. I was particularly grateful for your sharing with me many moments to reminisce about our previous meetings. I was also deeply appreciative of your statement of concern and support for Thailand in our efforts to deal with our economic difficulties.

You may also be interested to know that, on my initiative, the ASEAN Informal Summit in Kuala Lumpur, during 15 - 16 December, adopted the suggestion you made at APEC that Japan and Europe should also be involved in East Asia's economic recovery, by incorporating it in the meeting's declaration that is attached herewith for your information.

In early December, Mr. William Rhodes, Vice-Chairman of Citicorp and Citibank N.A., during his courtesy call on me observed that, while Thailand is America's first and oldest ally in Asia and has stood shoulder to shoulder with America from World War I to the Gulf War, she is now abandoned to cope with the present crisis alone. In view of the close ties and the mutual assistance that have long characterized the relations between our two countries, I am concerned that Mr. Rhodes' remarks, true and relevant as they are, echo the sentiments of many Thai people.

Let me reassure you that my government will resolve our economic difficulties, with determination and dignity. We also remain fully committed to the economic reform package agreed to with the IMF. Our readiness to bite the bullet is reflected by my government's willingness to make politically sensitive decisions and undertake painful measures, such as the closure of almost two-thirds of our financial institutions just two weeks ago. Your support for us during this critical time will therefore ensure that, even with the gravity of economic crisis, Thailand continues to be the beacon of democracy in the region.

Yours sincerely,

(Chuan Leekpai)

Prime Minister of Thailand

The Honorable

William J. Clinton,

President of the United States of America,

WASHINGTON, D.C.

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THE PRESIDENT HAS SEEN

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1. Thailand would be deeply grateful if the United States Government could provide assistance from the Economic Equalization Fund in the same manner as those given to Indonesia and the Republic of Korea. Such assistance will facilitate the economic restructuring program of the Thai Government and enhance foreign investors' confidence in Thailand. The present economic crisis started in Thailand and has led to the tumbling of several other Asian economies like falling dominoes. If economic stability were to return to the Asia-Pacific region, the line of reversal may well begin in Thailand.
2. Thailand also would be deeply appreciative if during the visit of The Honorable William Cohen, the U.S. Defense Secretary, to Thailand on 16 January 1998, the U.S. Government could kindly give favorable consideration to the request for a roll-over of payments for the arms procurement program of the Royal Thai Armed Forces until the Thai economy returns to stability. Such a roll-over would relieve an enormous burden on Thailand as it struggles to stabilize its economy in the shortest possible time. Moreover, the alleviation of the debt burden of the armed forces will contribute towards political stability and help institutionalize the development of democracy in Thailand.

**Joint Statement
of the Heads of State/Government of
the Member States of ASEAN on the Financial Situation
Kuala Lumpur, 15 December 1997**

The ASEAN Heads of State/Government reviewed the prevailing regional currency situation and their implications for the region's economies. They noted that despite the economic fundamentals of the regional economies being corrected and improved through the support and advice of the IMF, the depreciation of the currencies has continued unabated. This has resulted in serious regression in the economic well-being of the countries, their businesses and their peoples. Recognising the global dimension of the problem, they called for greater national, regional and international efforts, including by the major economies such as the **European Union, Japan and the United States**, and international financial institutions, to overcome this situation as soon as possible and address the systemic issues underlying it.

The ASEAN Heads of State/Government stressed that ASEAN countries must remain united and show resolve in responding to the challenge posed by the currency situation. In particular, they exchanged views on the appropriate policy responses and agreed on the following :

They strongly endorsed the ASEAN Finance Ministers' agreement on the early implementation of the Manila Framework to enhance regional surveillance, strengthen economic and technical cooperation, support measures to strengthen the IMF's capacity to respond to financial crises, and support the proposed Cooperative financing arrangements that would supplement the IMF's resources;

They strongly endorsed the ASEAN Finance Ministers' commitment to ensure sound economic fundamentals and strengthen the financial sector. Taking note of the recent establishment of the ASEAN Central Bank Forum, they supported the ASEAN Finance Ministers' decision to form a Select Committee with a permanent Secretariat, assisted by the Asian Development Bank, to develop in close cooperation with international financial agencies a regional surveillance mechanism that would emphasise preventive efforts to avoid the emergence of risks that would precipitate a crisis;

They emphasised the importance of the ASEAN Finance Ministers' call upon the IMF to undertake in-depth analysis of the structure of global financial markets and short-term capital flows, including the ongoing study of the operations of hedge funds and their impact on financial market activities as well as the implications of technology on capital flows. They urged the IMF to expedite this study and propose solutions to immediately stabilise the currencies.

Towards this end, while they agreed that it is important to have sound economic and financial policies and reforms to strengthen ASEAN's ability to cope effectively with the challenges associated with liberalisation, they stressed the importance of greater transparency of capital flows to ensure greater efficiency in the functioning of economies and financial markets, They noted that since the ASEAN Finance Ministers met two weeks ago, regional currencies have fallen, causing further deterioration of the regional economies. It is therefore urgent that global efforts be undertaken, including the central role of the IMF, to arrest the currency slide and restore stability to the currency markets;

They reaffirmed their commitment to maintain an open trade and investment environment in ASEAN, including through accelerated implementation of the ASEAN Free Trade Area (AFTA), the ASEAN Investment Area (AIA) and the ASEAN Industrial Cooperation (AICO) scheme. They agreed that in view of the present situation, every effort should be made to remove barriers to trade and to promote greater intra-ASEAN trade and investment;

They called on ASEAN capital market authorities to expeditiously draw up measures to encourage the financing of infrastructure projects in ASEAN through the ASEAN capital markets, and joint efforts to promote the attractiveness of the region's capital markets to international investors; and

They reaffirmed the importance of enhanced cooperation on economic and financial issues between the ASEAN Finance Ministers.

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Gene S.
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Daniel S. Greenberg

A Pittance To Fight Malaria

Rich countries study the diseases that afflict their citizens. For the ailments of the poor world, they offer sympathy and perhaps a few bucks. And that explains the plight of malaria, a disease that ranks high for death and disability in poor countries but very low in research expenditures among the rich, where it is rare to nonexistent.

An effort to break out of that bind recently failed when a group of the world's leading pharmaceutical companies turned down a proposal to establish a consortium of public and private organizations for research on malaria and other tropical diseases. According to a report in *Science* magazine, the companies begged off on a variety of commercial, legalistic and scientific grounds, with some of them explaining that they're already doing some work on malaria drugs and vaccines.

But malaria researchers skeptically note that the disease, which is virulent in many parts of Asia and Africa, offers little potential for long-term profits or even recouping the costs of research. The prevention and treatment of malaria pose daunting scientific problems that

*For the ailments of the
poor world, rich
countries offer sympathy
and perhaps a few bucks.*

many researchers would happily confront. Politically and commercially, however, the wasting disease is a non-starter.

The rejected plan for a consortium called for a seven-year buildup to an annual level of about \$30 million, with private firms providing 70 percent of the total and foundations, governments and international health agencies contributing the balance.

In the global bookkeeping of health research, the sums involved are minuscule. The U.S. government alone spends more than \$14 billion a year on biomedical research, while pharma-

ceutical firms report their combined expenditures exceed that amount. Western Europe and Japan are also big spenders, in the multi-billion-dollar range.

Malaria sickens scores of millions and annually kills an estimated 3 million, including a high proportion of children. The disease is not altogether ignored by the scientific powers of the world, which are almost wholly anchored in the developed world. But in terms of scientific purchasing power, it's small stuff, with annual worldwide expenditures of around \$100 million.

Of that sum, the U.S. government provides about \$25 million, mainly through the National Institutes of Health and the U.S. Army, which is increasingly concerned about health threats in tropical areas of potential deployments. But if money talks, it's saying that malaria is not our problem. When politics is agitated by public concern about disease, the money flows freely. Thus, NIH spends \$2.5 billion a year on cancer research, while the Army, at the direction of Congress, spends \$135 million a year on breast cancer studies. Propelled by fear, intense lobbying and politics, AIDS research soared from nothing to more than \$1.5 billion annually in 15 years.

Humanitarian concern has clearly proven insufficient for mobilizing the industrialized world's scientific resources against a distant disease. But maybe it's not so distant, thanks to the never-ending boom in air travel. Though malaria was banished from the United States by strict application of mosquito-control measures, the disease is brought home by some 3,000 travelers per year who were infected abroad. Recent outbreaks in popular areas of tourism, including Thailand and the Pacific coast of Mexico, are noted with concern by malaria specialists.

And then there's "airport malaria," the term for domestic cases that have been traced to mosquitoes from malarial regions hitching rides aboard U.S.-bound aircraft. Malaria specialists say that 50 to 100 cases per year in the United States are attributable to that source of transmission. And there's deep concern about the development of resistance to widely used drugs—for which there are no reliable replacements in the pharmaceutical pipeline.

If malaria becomes a serious problem for the rich nations, it's a certainty that their formidable scientific resources will be deployed against the disease, with very good chances of success.

The unfortunate fact is that foresight and compassion are no match for politics and profits in setting priorities for disease research. When malaria comes here, we'll seriously get to work on it. But sadly, not until then.

*Daniel S. Greenberg is editor-at-large of
Science & Government Report, a
Washington newsletter.*

The Washington Post

SUNDAY, JANUARY 4, 1998

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For Clinton Health Care Planner, a New Drubbing

By JAMES BENNET

WASHINGTON, Jan. 1. — For more than two years, Ira C. Magaziner had managed to keep his head down.

Once a favorite target of Republicans, a symbol of White House overreaching and arrogance for his role in drafting an ultimately failed national health care plan, Mr. Magaziner, as gaunt, rumpled and intense as ever, had been laboring in studied obscurity, devising the Clinton Administration's approach to regulating the Internet.

The health care plan he once proposed would have remade one-seventh of the nation's economy. But in his second, quieter life in the White House, he championed industry self-regulation, urging President Clinton to let the Internet alone.

Then, two weeks ago, Mr. Magaziner's telephone rang at his home in Washington and plunged him back into the health care morass. How, a reporter wanted to know, did he respond to a Federal judge's ruling that less than two months into the Administration's first term, he submitted a dishonest affidavit about the health care planning?

Mr. Magaziner had thought that a United States attorney's inquiry into that matter had exonerated him more than two years ago.

"He was right on the verge of emerging as someone who was a serious player on a serious issue," one sympathetic White House official said of Mr. Magaziner's work on Internet policy, "and this thing was a blind-side tackle."

But his many critics outside the Administration were less surprised to see his health care work catch up with him. John E. Berthoud, president of the National Taxpayers Union, noted that the health care debate helped produce the Republican landslide in 1994 and changed Mr. Clinton's approach to governing and campaigning. So "it's not surprising," Mr. Berthoud said, "that there should be prolonged and profound effects on Ira Magaziner" as well.

Mr. Clinton is standing by Mr. Magaziner, who attended Oxford with him as a Rhodes scholar and participated with him over New Year's at Renaissance Weekend, in Hilton Head, S.C., the earnest annual gathering of policy makers, scholars and their groupies. (Mr. Magaziner helped lead a panel discussion there on "the 'wired' society.")

In a statement issued through an aide on Wednesday, the President said: "I've known Ira for 30 years. He's a good man. And he's doing a good job."

Mr. Magaziner, 50 years old, quiet and austere, stands out among the backslapping politicians at the White House. He rarely attends meetings of the senior staff these days, and when he does he almost never speaks. But within the White House he is seen as having done well with the Internet project, despite the shadow of the health care debacle.

"He continues to labor very quietly and very nonobtrusively," one official said, "so much so that there are times that he seems like Banquo's ghost, drifting back and forth."

Mr. Magaziner, senior adviser to the President for policy development, says that he offered to resign after the health care plan failed in 1994 but that Mr. Clinton asked him to stay. He went to work identifying ways to increase American exports, even as the lawsuit that would lead to the damaging judicial ruling two weeks ago began taking more of his time. Within the White House, he is seen as having been protected in particular by Hillary Rodham Clinton, whom he served as right-hand man in the health care effort.

He says he has been pleased with the reception given his work since health care.

"The health care thing, I obviously took a battering," he said. But with the Internet project, he continued, "I've been able to build a lot of positive relationships — positive, even, news accounts and so on."

"And till this thing came on," he said of the judge's ruling, "I was feeling pretty good about the things I was able to do."

The case that produced that ruling is evocative of the heady early days of the Administration, when Mr. Clinton dreamed of creating more sweeping Government programs than he has sought since. Along with the First Lady, Mr. Magaziner was at the center, feverishly assembling a team of hundreds to expand Federal regulation of health care.

The project was an extraordinary opportunity for a self-assured policy disciple like Mr. Magaziner, who as a college student had persuaded Brown University to change its curriculum radically and as a business consultant had tried to convert Rhode Island, his home state, into a laboratory for his theories on industrial policy.

Mr. Magaziner and Mrs. Clinton tried to conduct their team's deliber-

THE PRESIDENT HAS

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The New York Times

FRIDAY, JANUARY 2, 1998

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actions in secret, maintaining that confidentiality was the only way to keep the plan from being picked apart by interest groups before it was even completed. But that effort contributed to an appearance of high-handedness. One group sued the Government, arguing that because not all participants were Government employees, Federal law required that meetings of the health care planners be open to the public.

It was in response to that suit that Mr. Magaziner, on March 3, 1993, submitted his 13-page affidavit, a

dense description of the Administration's planning stuffed with references to bodies like "the infrastructure/integrated health plans cluster." The affidavit described the role of outside consultants in that planning but, in what proved a fateful sentence, said, "Only Federal Government employees serve as members of the interdepartmental working group."

In December 1994, after discovery proceedings had produced numerous White House documents detailing the health care planning process, the judge, Royce C. Lamberth, called Mr. Magaziner's statement "misleading, at best." Judge Lamberth asked Federal prosecutors to investigate whether Mr. Magaziner had committed perjury or criminal contempt of court.

The resulting six-month inquiry was led by Eric H. Holder Jr., then a United States attorney and now Deputy Attorney General. In an 18-page filing with the court in August 1995, Mr. Holder wrote that he had found "no significant evidence" that Mr. Magaziner's declaration was factually false, much less that it was willfully and intentionally so. He also said the contested sentence about the membership of the working group was not significant either to the Government's defense or to, related ruling that Judge Lamberth had issued earlier.

Mr. Holder criticized sloppy White House paperwork that, he said, had failed to document that people from the private sector had become Government employees to contribute to the health care project. And he was scathingly critical of White House lawyers, saying their failures had included not explaining how the health care planning system had changed after Mr. Magaziner's statement.

In a recent interview, Mr. Magaziner defended himself by noting pointedly that he was not a lawyer and saying he had relied on White House and Justice Department lawyers in creating the health care task force and in drafting his affidavit. That defense may pose problems for the lawyers who assisted him, notably Beth Nolan, a former deputy White House counsel who is awaiting Senate confirmation to head the Justice Department's Office of Legal Counsel.

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Mr. Magaziner and other White House officials say they assumed that his legal troubles were over with Mr. Holder's filing. But on Dec. 18, Judge Lamberth weighed in for what he called "hopefully the final time," to determine penalties and attorneys' fees sought by the plaintiffs.

Where Mr. Holder had seen fuzzy language and sloppy paperwork, Judge Lamberth saw a deliberate effort by high-level Administration officials to deceive the court.

The judge called Mr. Magaziner's testimony "dishonest," but he was far more upset by what came later.

"The most outrageous conduct by the Government in this case is what happened when it never corrected or updated the Magaziner declaration," he wrote, declaring that the Government should be "accountable when its officials run amok."

Mr. Holder and Judge Lamberth had previously disagreed about the substance of Mr. Holder's filing. In a letter to the judge on Aug. 30, 1995, which was supplied to a reporter by the White House, Mr. Holder wrote that on reviewing some of the court's comments about the investigation's results, he "became concerned" that he had not been clear enough. He repeated his findings, among them that there was no significant evidence that Mr. Magaziner had lied.

Although Judge Lamberth's broadside of Dec. 18 was directed at several officials, critics of the Administration have so far focused on Mr. Magaziner, arguing that he, and not taxpayers, should pay the penalty of \$285,864.78 that the judge imposed on the Government. (The Justice Department is considering an appeal.)

Mr. Magaziner seems to regard the case as *Lamberth v. Magaziner*.

"I've been controversial in my life for my political views, that's fine, that's, you know, democracy," Mr. Magaziner said, speaking in staccato bursts. "But nobody, even opponents in the things I did before, ever questioned my integrity."

"And to have this judge come back and do this with no evidence," he said, makes him "livid."

Apparently embarrassed by the heat of his remarks, he added: "That's why I'm probably being too passionate. So I apologize. But this is just wrong."

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Success, and Frustration, as Welfare Rules Change

By JASON DePARLE

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WASHINGTON, Dec. 29 — When, at last, President Clinton walked into the Rose Garden on Aug. 22, 1996, to "end welfare as we know it," he brought many dramas to a close: six decades of anti-poverty policy; five years of ideological warfare; a standoff with Congress that had produced two vetoes, and a battle that had split his Cabinet and his party.

He also opened a new chapter in the nation's relationship with its poor. Damp with the morning's oppressive humidity, reaching for his pens, the President urged the fatigued combatants on all sides to pay attention to the experiment's crucial first years. "This is not the end of welfare reform," he said that day and many times later. "This is the beginning."

Now, after an eventful first year, 49 states have attached budgets and programs to the vague Federal vision. Taken together, these decisions begin to define what time limits and work requirements really mean, at least in a vibrant economy. Billions of dollars have flowed to states. Two million women and children have left the rolls. And thousands of stories have taken shape, of hard luck and hard-won achievements.

In Wisconsin, Gov. Tommy G. Thompson started the nation's boldest work program, all but eliminating cash aid. In Alabama, a state Representative, Jim Carns, saw the need for services that, as a conservative Republican, he formerly scorned. In Greenville, Miss., Beth Bradford tried to build a bridge between her church and the welfare poor, but surrendered with frustration at the town's racial and class divisions.

After 19 years on welfare in Milwaukee, Marla Spencer not only found a job but kept it. After years

ents had made it in this country. (Or had not. Or could not.) They insisted their communities would care for the poor. (Or had not. Or would not.) They spoke, either explicitly or through the thinnest of veils, of all the dangerous subjects the word "welfare" evokes: race, class and sex. What is taking shape is not just a new program with an ungainly name — Temporary Assistance for Needy Families — but a nation's definition of itself.

Perhaps the simplest of all surprises is that welfare really changed. Unlike previous welfare laws, this one was not a paper reform confined to a White House lawn. It set off warning bells from the governor's mansion down to the caseworker's desk. There was some mischief and meanness along the way and some surprising efforts to make a new social contract work. But if welfare changed in head-spinning ways, the problems of most poor, single mothers did not.

"Ending welfare" has a transformative ring: it suggests a world that, for good or ill, is profoundly altered. In real life, welfare came and went in less definitive ways. Without it, some women found low-paying work. Some secretly had it already. Some relied more heavily on boyfriends. Some slipped more desperately into need. To those who lived them, the changes were dramatic. But they may have altered the country's basic dilemmas less radically than commonly supposed.

With welfare and without it, the familiar struggles remained: families in poverty and children without fathers. In the end, it might prove easier than anyone imagined to change welfare, and even harder to change people's lives.

Early appraisals come with a warning: data are scarce; the economy is strong, and most recipients have not yet reached the time limits that will remove them from the rolls. The current snapshot captures a best-case moment. But slowly, tentatively, amid conflicting impressions, some lessons are starting to emerge.

These are among the surprises:

¶For better or worse, it is easier than hardly anyone imagined to reduce the welfare rolls. Even modest work requirements appear to produce huge declines in caseloads. That has been the case both in places with good economies, like Wisconsin, and bad ones, like the Mississippi Delta. In some places, anti-welfare rhetoric alone drove caseloads down, before the new programs even took effect. As welfare becomes more demanding, those with other options take them.

¶Despite the talk of moving recipients from welfare to work, the early evidence suggests that only about half of those leaving the rolls have jobs. That percentage seems little or no better than in the past, in weaker economies and with less stringent rules. With more people than ever leaving welfare, the raw number of workers is rising. But so is the number of families with neither benefits nor jobs.

¶With a few regional exceptions, the job shortage that critics feared has so far failed

to materialize. With unemployment at its lowest level in 24 years, entry-level positions are widely available. But wages are typically low, job loss is common and so is part-time work. The earliest surveys suggest that many of those leaving welfare for work still remain in poverty.

¶Similarly, the child care shortages that critics feared have largely failed to appear. That is partly because states have made large new investments in child care. And it is partly because many recipients prefer to leave their children with family and friends. But the quality of care remains a concern, in centers and with neighbors alike.

¶Even under optimal circumstances, the new laws are claiming casualties. Even before reaching the time limits, tens of thousands of recipients have lost their benefits by failing to meet the new rules, some willfully, some lost in bureaucratic confusion. Many have seen substantial declines in incomes already dangerously low. But this increased hardship has not produced the surge of homelessness or abandoned children that critics feared. For a while, at least, most recipients can survive on the patchwork help of family and friends.

¶Despite the threat to crack down on deadbeat dads, almost all the burden has remained on the mothers. States remain years behind in implementing child support regulations, and some have resisted the tougher penalties the new law places on fathers in arrears. Likewise, much of last year's debate focused on reducing out-of-wedlock births. But in state welfare offices, the focus was seldom on pregnancy prevention and almost always on work. "We pay too much attention to the mothers and not enough attention to the fathers," said Wendell E. Primus, a top welfare official who resigned last year to protest the new laws.

¶The passage of the law has helped moderate the angry politics that brought it about. Congress restored many of the cuts in immigrant programs it had made just a few months earlier, and most state legislatures rejected the harshest options available under the law. On the contrary, some recipients have found themselves lauded in civic campaigns designed to rid welfare of its stigma. In Montgomery, Ala., the NBC affiliate runs a weekly feature portraying a welfare family in a favorable light. "Dump the stereotypes," the correspondent says.

¶Although the law was presented as a deep budget cut, it has actually produced a significant increase in per capita welfare spending. Awash in Federal dollars, most states are pairing their tough new rules with offers of new services. Asked whether Congress would have passed a straightforward spending increase, Representative E. Clay Shaw Jr., the Florida Republican who sponsored the law, laughed and said, "That wouldn't even have gotten a hearing."

Some promising starts under ideal conditions and some signposts of trouble to come, the early lessons have emerged on three fronts: welfare policy, welfare politics and what might be called welfare civics.

LESSONS LEARNED

Welfare Reform's First Months

A special report.

of discarding jobs like old socks, Opal Caples lost one more. After losing her check, Theresa Sledge moved to a ramshackle trailer 15 miles from Pensacola, Fla. She is rearing her three children there on food stamps and charity while her husband talks openly of going back to selling drugs. As welfare turns from a right to a rigor, Ms. Sledge said, "it's either too easy or too hard."

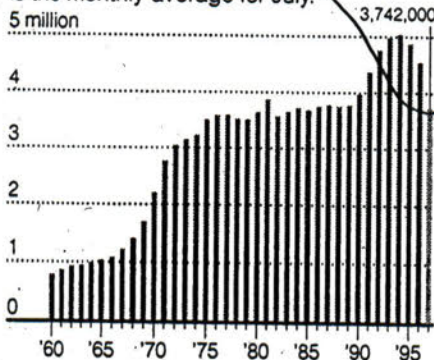
Mr. Clinton's decision to sign the new welfare law has been scoured for what it reveals of his character. Did he sacrifice poor children for political gain? Did he finally find the mix of opportunity and responsibility he had pledged for so long to pursue?

What gives these questions such resonance is that they apply to the country as a whole. To chart the nation's nascent welfare policy is to glimpse the American soul, its caring and its callousness, its fairness and its biases, its competence and its neglect.

As the bill made its passage through Congress last year, its friends and enemies spoke out in homiletic terms. They described how their parents and grandpar-

Families on Welfare

Yearly average, except '97 data, which is the monthly average for July.



Source: U.S. Department of Health and Human Services

Welfare Policy

Caseloads Declining At Startling Rate

Positive or negative, approving or alarmed, every analysis begins with the same startling event: the unprecedented exodus from the rolls. Nearly 1.4 million families have surrendered their checks since the caseloads peaked in March 1994. Almost half of that number occurred in the past year alone.

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Surely a job-rich economy is luring families away. Tougher programs are pushing them away. And the drumbeat of anti-welfare rhetoric seems to be scolding them away. Yet the importance of all three forces is difficult to discern, and it varies greatly from place to place. Like a national Rorschach, the graphs that plot a falling caseload evoke a mix of hopes and fears.

"It shows the faith we had in the human spirit was well placed," said Mr. Shaw, the bill's lead author.

"It doesn't show anything yet," said Senator Daniel Patrick Moynihan, the New York Democrat who led the opposition.

It does, however, defy what for decades had been a law of reverse gravity: rolls that went up did not come down. By 1994, the number of welfare recipients peaked at more than 14 million, almost all of them single women and children. The nation's welfare families tripled in the 1960's, nearly doubled in the 1970's, and bulged again after the 1990 recession.

Now the rolls have fallen 27 percent, and the pace continues to accelerate.

The rolls fell 7 percent in 1995, 11 percent in 1996, and at an annual rate of 18 percent in the first half of 1997. Even those numbers understate the average state's pace of change, because California and New York, with a nearly a third of the nation's welfare recipients, have lagged behind the rest of the country.

A national unemployment rate of just 4.6 percent is partly responsible. But there is much that it does not explain. Over the last four years, Minnesota and Wisconsin had virtually the same level of unemployment. But Wisconsin pioneered work requirements and its rolls fell nearly three times as fast.

Work rules have cut the rolls in places like the Mississippi Delta, where unemployment runs high. Even the credible talk of tougher rules can chase recipients away. As Mississippi's plan was moving through the state Legislature, caseloads in Tallahatchie County fell 25 percent. And the county's already high unemployment rate rose higher, to just over 12 percent.

Several lessons seem clear. One is that many people on welfare have other options for supporting themselves. In fact, with welfare benefits themselves too little to live on (the average family of three receives just \$380 a month), many secretly had jobs. A second lesson is that when the difficulties of receiving welfare increase, those who can make other arrangements do. "A lot of people leaving the rolls are saying it's just not worth it," said Barry Van Lare, director of the Welfare Information Network, a nonprofit group monitoring the new law.

In trying to move recipients from welfare to work, President Clinton has hoped for more than just economic gain. He has also lauded the "structure, purpose, meaning and dignity that work gives." On the surface, the employment picture is more encouraging than almost anyone expected. Short of labor, employers have turned to welfare recipients, and welfare offices are working hard to supply them. But with wages low and job loss startlingly high, it is still hard to predict what programs will achieve, either in the moral or economic sense.

"I'm struck by how much creativity there's been," said David Butler, associate director of the Manpower Demonstration Research Corporation, a New York City group that evaluates work programs. "But I think it's been assumed if you got a job, things would take care of themselves. I don't think that's been very well thought through."

At their best, work programs have produced triumphs like that of Marla Spencer, a longtime Milwaukee recipient. Without the pressure of the new rules, Ms. Spencer said, he would never have found a job. Now she earns \$5.95 an hour working in a commercial laundry, and she has married a Milwaukee bus driver. "Do like I did," she tells other recipients. "Listen to your supervisor."

But the journey of Rebekah Phillips, 24, a Pensacola woman with four young children, may be more common. After three years on welfare, Ms. Phillips landed a job at a convenience store and moved up to a \$5.25-an-hour job as assistant manager. She was the portrait of self-confidence one evening last May as she stood beside a display of Laffy Taffy and praised the virtues of work.

"When F.D.R. started the welfare program, he did a great thing," Ms. Phillips said. "But now you have whole generations of families breeding other families to rely on Uncle Sam. I don't expect Uncle Sam to take care of me."

But a few months later, she grew depressed and began quarreling with her boss. "They say I quit, I say I got fired," she said last week. She found a second job but lost it two weeks later, and she is once more unemployed. "I was like, 'Hey, I've got this fat job. I'm assistant manager,'" she said. "I didn't even see the brick wall."

Likewise, Opal Caples, a Milwaukee woman, is once more unemployed after appearing on the cover of The New York Times Magazine in August for an article on the challenges that work programs face. "I went through a severe depression," Ms. Caples said last month.

A handful of states have conducted surveys to see how many former recipients

the people will show up."

Some recipients lose jobs because they lack reliable child care. But most states have significantly expanded their child care programs, and many recipients use relatives and neighbors. In Florida, clients have sought help with child care about half as often as officials initially expected. (Shortages do exist across the country for infant and night care.)

Transportation can also be a problem. And it can be a harder one to solve, because jobs often lie beyond public transportation routes.

But the reasons for job loss go far beyond baby sitters and cars. Flagging spirits, fights with supervisors, distractions at home — the internal struggles like those of Ms. Phillips and Ms. Caples are often the most profound.

Those who manage to keep their jobs might face a different problem, poverty-level wages. Tennessee surveyed 205 recipients who had found jobs. Three months later, only 75 percent were working, and just 48 percent were working full time. Those considered full time averaged 33 hours a week at \$5.82 an hour, for a projected annual income of \$9,987. That is certainly more than the \$2,220 the state paid in cash welfare. But it is below the poverty level of \$12,500 for a family of three.

In Maryland, those working were also below the poverty line, with average earnings of \$8,300 a year.

The economic picture looks better when other Government benefits are figured in. Federal tax credits now provide low-income workers up to \$3,650 a year, and most can also receive food stamps. And supporters of the new law argue that earnings will improve with time. "They certainly weren't going to get out of poverty by staying on welfare," said Robert Rector of the Heritage Foundation, a conservative research institution in Washington.

But to the extent that wages do rise, they tend to do so slowly. And no matter how they are measured, overall earnings remain low.

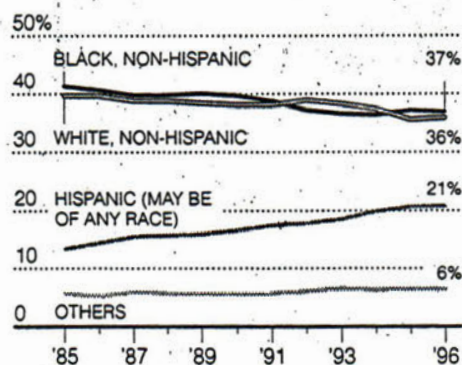
"I'm concerned about earnings, there's no question about that," said Donna E. Shalala, the Secretary of Health and Human Services. "The whole point of this is to eliminate poverty in the United States, not just to get people off of welfare."

Tougher rules come at a cost. Dropped from the rolls for rules violations, tens of thousands of families have found themselves with neither welfare nor work. In bare cupboards and in cold trailers, their hardships are accumulating. The defenders of the law say that is no surprise.

"You're going to have some who are just not going to be able to make it," said Mr. Shaw, the bill's author. "Welfare reform didn't just present an opportunity. It also

Race and Ethnicity Trends

Race or ethnicity of families on welfare.



Source: U.S. Department of Health and Human Services

The New York Times

have jobs. Few surveys are academically rigorous, but they suggest a similar story.

In Massachusetts, 50 percent of the former recipients said they had jobs. In Idaho, 52 percent. In New Mexico, 56 percent. Tennessee's figure is unpublished, but Haskel Harrison, the researcher who ran the study, said, "It's going to be in the 50 percent range." In Maryland, 49 percent worked in the quarter they left the rolls, though the figure rose three months later, to 66 percent.

Manpower Demonstration Research, the evaluation company, did more careful studies of two experimental programs that began in 1994. In Pensacola, 48 percent of those who left the rolls had jobs. In Minnesota, the figure was 50 percent. In New York, Mayor Rudolph W. Giuliani has declined to track recipients, so there is no way to know how many are getting jobs.

Though the surveys are not definitive, their numbers show little or no improvement over the old welfare era. The most frequently cited study, by LaDonna Pavetti of the Urban Institute, a research group in Washington, found that about 46 percent of those leaving the rolls in the 1980's had jobs.

On the surface, the lack of improvement may seem disappointing. Then again, finding jobs for half of those leaving welfare might be considered an achievement, because more recipients (and more troubled recipients) are being pushed from the rolls. And if former recipients are not working, it is seldom because of a job shortage, the problem that many analysts feared a few years ago.

"I have yet to find a program administrator worried about finding jobs for people," said Ms. Pavetti, who is evaluating programs in 10 states. "They're worried about whether

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presented a certain amount of pain for not being able to take control of your life."

Like other supporters of the law, Mr. Shaw finds reassurance in the absence of the widespread, visible suffering that some critics had predicted — "children sleeping on the grates," in the words of Senator Moynihan. "That's not happening," Mr. Shaw said.

It is true that in most cases the loss of a welfare check has not led to homelessness or child abandonment. But the extent of increased hardship is noteworthy nonetheless. As Senator Moynihan notes, "You won't know what you've done until the five-year cut-off begins."

The number of families being dropped from the rolls varies widely by state. In Tennessee this spring, 28 percent of case closings were due to rules violations. In Maryland, the figure was just 5 percent.

Some who lose their checks actually see their incomes grow. That is, they refuse to comply precisely because they have better alternatives: jobs, boyfriends, hidden sources of support. A recent study in Iowa found that 40 percent of those dropped from the rolls saw their incomes rise. The average gains were sizable: \$496 a month.

But another 49 percent saw their incomes fall, by an average of \$384 a month. "You'd expect a lot of hardship from a decline that large," said Kathryn Edin, a sociologist at the University of Pennsylvania and an expert on the budgets of single mothers. Counting everything from food stamps to secret jobs, Ms. Edin estimated that the average recipient actually lived on \$850 a month. A \$384 cut, in other words, represents a 45 percent loss.

Depressed, disdainful or addicted to drugs, some recipients knowingly violate the rules. Others get lost in a bureaucratic shuffle. In Milwaukee earlier this year, as many as 44 percent of the penalties were mistakenly imposed and later overturned. A Tennessee study found that 30 percent of those failing to cooperate did so "without understanding the consequences of their actions."

And, Ms. Shalala warns, some of the families losing welfare are also losing Medicaid, perhaps because caseworkers are failing to inform them of their continuing eligibility. "There are a lot of children who could get it and aren't getting it," she said.

Mr. Rector of the Heritage Foundation said the focus on lost income was misplaced. In the long run, he said, penalties can teach families to function. "Life doesn't treat the clueless very well," he said. "You have to treat them as the real world is going to treat them."

A lost check does lead some recipients to confront their problems. After she was dropped from the rolls last February, Loretta Wright moved to a Milwaukee homeless shelter and stopped using drugs. Then she moved to Minnesota and found a job. "I'm doing great," she said, when reached this month.

But other women are scarred in ways that make them difficult to change. Theresa Sledge, who suffered a childhood of sexual abuse and had her first baby when she was 15, did not conquer her chronic depression when she lost her welfare check. She sold her bed to get extra money and began sleeping with her three children on her trailer floor. "I get so frustrated," she said last week. "I'm afraid I'm going to hurt one of my children."

One of the year's surprises is that so many families could lose their benefits without winding up in the streets. More than 9,000 families have left the rolls in Milwaukee, for instance, but only a few hundred are thought to have moved into shelters.

Again, Ms. Edin's research is instructive. She estimates that cash benefits account for only 34 percent of the average recipient's income. Food stamps provide about 25 percent. And 36 percent comes from hidden sources like under-the-table jobs, boyfriends, contributions from relatives or private charities.

But these other sources of income are less able than welfare. And they tend to erode with time. "There's a cushion there, but it's not as big of a cushion as they're going to need," said Ms. Edin, who predicts a gradual increase in homelessness. "None of the really hard-edged stuff has even hit yet. I'm surprised there are this many losers this on."

Welfare Politics

With Stricter Rules Comes Moderation

In retrospect, what is striking is not that the welfare system changed so fast, but that it avoided change for so long. Born in the Depression as a plan for widows' relief, Aid to Families with Dependent Children spent its last 25 years in a downward spiral and died a friendless death.

The reasons are understandable. The program did not require work. It did not promote stable families. It often did not seem to help the people it served. But the suddenness of the change, the tone of the rhetoric and the magnitude of the cuts in other anti-poverty programs left an open question. Are the politics of the moment merely anti-welfare? Or are they downright anti-poor?

The answers were mixed this year, as states filled in the Federal template. On the whole, states made surprisingly large investments in work-related services, like job placement, transportation and especially child care. But they also placed severe penalties on recipients who, for whatever reason, failed to comply with the rules. And even in flush times, states began channeling some of their new Federal resources away from the poor and toward causes like tax relief.

"Those of us who worried about a race to the bottom, have we seen that? No," said Bob Greenstein, director of the Center on Budget and Policy Priorities, a Washington research and advocacy group. But, Mr. Greenstein added, "we really won't have a full test until we go through the full economic cycle."

The law restricts recipients to five years of Federal benefits in their lifetime (though states can grant extensions to 20 percent of their caseloads). And it requires states to enroll 30 percent of their recipients in work programs in 1998, a rate that grows to 50 percent by 2002. Beyond that, states can do almost anything they choose.

To be sure, virtually every state imposed limits and penalties that would have been unthinkable in the past. At least 20 states have set time limits shorter than five years, and in 10 states it is just two years. In the past, recipients who failed to comply with a work program typically lost a third of their grant. Now in 33 states, they lose all cash support. Idaho passed a law so restrictive it removed half the state's recipients from the rolls in a single day.

But in most places, the harshest proposals met countervailing political pressures. The New York State Legislature rejected a plan by Gov. George E. Pataki to cut benefits by 45 percent over five years. The California Legislature defeated a plan by Gov. Pete Wilson to create time limits as short as one year. Both states wound up combining their new work requirements with expansions of job placement, child care and other services.

"Forcing recipients to work as a condition of receiving benefits, and providing support services, those are the two things that have come together," said Jack Tweedie, who monitors welfare programs for the National Conference of State Legislators.

Perhaps no state better embodies that dual ethic than Wisconsin, which presents both sides in exaggerated form. Certainly its program, Wisconsin Works, is tougher than anything that has preceded it. Those who do not work do not get paid, with virtually no exceptions.

But it also goes further than any previous program to build a work-based safety net. The state is offering subsidized child care not just to welfare recipients but to all low-income workers. It is proposing to do the same with health care. And it is creating thousands of community service jobs.

Governor Thompson, a Republican, came to office 10 years ago on a pledge to cut welfare benefits, a promise he quickly kept. But this year, with the work program in place, he pushed through a 20 percent benefit increase, as if to punctuate a new generosity toward work. "I thought we ought to do anything we can to make this program successful," he said.

Often, the politics of welfare became less ideological this year, as legislators confronted the practical challenges of building work programs.

"I had the typical knee-jerk reaction before I got into all this," said Mr. Carns, the Republican legislator in Alabama. "I thought it'd be easier to save money." Instead, he found himself supporting earnings supplements for recipients who find jobs and child care for teen-age mothers. "You have to put in an investment to get people into the work place," he said.

Mr. Carns's evolving views drew a compliment from State Senator Rodger Mell Smitherman, a Democrat who is the chairman of the Black Caucus in the Alabama Senate. "There's a realization that it's one thing to say you want people to work, but it's another to create the environment for them to do that," Mr. Smitherman said. "I was pleased to see that it wasn't all harsh."

By contrast, the child support debates proved surprisingly contentious, especially in Western states. Many resisted the law's new penalties, like withholding occupational or sporting licenses from fathers in arrears.

Of course, it is easy to make investments in work programs when states are awash in Federal money. The Federal Government will send states nearly \$3 billion more this fiscal year than it would have under the old system. That is because Washington now sends states fixed payments, called block grants, based on the welfare population of previous years, before the caseloads plunged.

Wisconsin will spend about 62 percent more for each recipient this year. A full accounting is hard to find, but even the least generous states are probably spending 20 percent more for each client, simply because caseloads have fallen so sharply.

But in an economic downturn, those fiscal dynamics will reverse. It is when states have rising caseloads and falling resources that a "race to the bottom" may ensue. (Were welfare still an entitlement, the cost of rising caseloads would be largely offset by an increase in Federal spending.)

Even in these flush times, states are putting their additional resources to mixed use. New York, for instance, will receive about \$730 million more this year than it would have under the old system. But according to a budget analysis by the State Comptroller, Carl McCall, \$455 million is being channeled into state and local fiscal relief.

Coasting on their caseload declines, few states are investing in the intensive services their more troubled clients will need, like drug treatment and mental health counseling. Few are setting aside rainy-day money for a slower economy, although everyone agrees rainier days are inevitable. "It's going to get tougher, no doubt," warns Mr. Shaw, the bill's main sponsor.

Welfare Civics

Broader Involvement, And Frustration, Too

In explaining his decision to sign the law, Mr. Clinton expressed the hope not just for a more generous politics but something deeper still: a fuller involvement of American society in the lives of the poor, a new welfare civics.

"This becomes everyone's responsibility," he said when he signed the bill. Anyone "who has ever said a disparaging word about the welfare system should now say, 'O.K., that's gone; what is my responsibility to make it better?'"

It was a romantic hope, to be sure, and perhaps a flimsy one. But the past year has brought much of the civic involvement Mr. Clinton had hoped for. Businesses and churches, nonprofit organizations and individuals — more institutions than ever before have gotten involved in welfare programs. They are running training programs and clothing closets, Bible studies and advertising campaigns. And, much as Mr. Clinton sought, the public portrayals of welfare have begun to change.

Not long ago, voters could turn to C-Span and catch Speaker Newt Gingrich calling welfare recipients a threat "to American civilization." Now, in Charlotte, N.C., they can find billboards sponsored by the Chamber of Commerce urging employers to give welfare recipients a chance.

Those broader community bonds have impressed professionals who know how lonely the work of welfare bureaucracies has been. "That shift, seeing recipients as workers, as fellow citizens, is enormously important," said Olivia Golden, an Assistant Secretary of Health and Human Services.

But there are limits to what these civic efforts can do. Many volunteers are likely to discover what their predecessors have found in the past: It can be difficult to make a long-term difference in a poor family's life.

It is hard to imagine a more committed volunteer than Ms. Pavetti, the Urban Institute researcher. Fifteen years ago, she began tutoring one of the city's fourth graders, and Ms. Pavetti has stayed with her ever since: when she dropped out of school, when she dropped out of Job Corps, as she cycled in and out of jobs. In some years, Ms. Pavetti saw her friend every day. Then eight months ago, the woman suddenly disappeared.

"I've done an awful lot, but I haven't changed the direction of my lost child's life," Ms. Pavetti said. "I believe mentoring programs work for people who need a little bit of help. They don't work for people who need a lot of help."

The experience of Covenant Presbyterian Church in Greenville, Miss., shows the depths of the challenges a new welfare civics will face. A few years ago, when Gov. Kirk Fordice tried to rally the state's churches — "God, not government, will be the savior of welfare recipients," he said — Covenant Presbyterian was the only one in town to respond.

Beth Bradford, the volunteer who coordinated the effort, agreed with Mr. Fordice's idea that faithful citizens could help recipients more than government bureaucracies. Her goal, Ms. Bradford said, was "not just to find them a job, it was to instill in them morals and godly values."

But even the logistics proved hard. Though about 30 women signed up for the program, only a handful came to the first meeting. The church is on the south side of town. The poor live on the north. The church members were all white. The recipients were all black. And most of them had no phones.

Within a few meetings, the number in regular attendance had dwindled to two or three. "It's very discouraging," Ms. Bradford said. "You volunteer your time and nobody shows up."

Ms. Bradford's disappointments increased after she arranged for some of the women to take a course to become nursing assistants. None found jobs in the field.

Still, she redoubled her efforts and took on a second class. But it soon disintegrated into a weekly gripe session among recipients who faulted Ms. Bradford for their failure to find work. "We complained so much they were afraid of us," said Loretta Taylor, who grew so frustrated she used to cry in class.

Ms. Bradford, in turn, grew weary and impatient with the carping. "I finally said, 'Give us a break, we're not miracle workers,'" she said. "We had a little outburst." When Ms. Bradford gave birth to twins, she ended her efforts and no one picked up the slack. "We just kind of fizzled away," she said.

But if the program did not change the welfare situation in Greenville, it did build one new friendship. Among those in the first class was a woman named Jennifer Lockett, who had cycled between welfare and work since she had her first child at 15. She had gone back on welfare after quitting a night job. Without her supervision, Ms. Lockett said, her two children were not doing their homework.

Hearing that story of devoted parenting, "opened my eyes a lot," Ms. Bradford said. "I realized I was the one with all the stereotypes."

Likewise, Ms. Lockett was surprised to find herself relating so easily to a doctor's wife. "I fell in love with her when I first met her," Ms. Lockett said. "She always had an encouraging word."

Ms. Lockett did not find a nursing assistant's job when she finished the program, but she kept mailing out résumés. Months later, an offer arrived, from a doctor who worked with Ms. Bradford's husband. "I jumped up and down, and hollered and screamed, and cried and thanked the Lord," Ms. Lockett said. "I had been praying for this job." Now, a year later, Ms. Lockett is still at work, and she and Ms. Bradford are friends.

Looking back, it is possible to see in Ms. Bradford's experience much of what the President had hoped for 16 months ago: good will, energy, creativity and concern. It is also impossible to miss the distance between her good intentions and her great expectations.

Like most who cross the barriers into the welfare world — like the nation's experiment as a whole — Ms. Bradford discovered layers of economic and social need more complex than she had imagined. There was a mix of nostalgia and fatigue in her voice when she said, "It was a reality check for me."

Welfare Programs In Region Follow Different Routes

Plans for overhauling welfare in New York, New Jersey and Connecticut, with a mix of tough talk and more practical considerations, have played out in differing ways.

New Jersey preserved benefits for legal immigrants already living in the state. Connecticut hired a private company to handle child care for recipients, but the plan mostly failed. And New York retreated from a variety of ideas.

In Connecticut, a state with one of the strictest time limits, about 950 families were ordered off the rolls last month. But half were granted extensions. Connecticut allowed recipients who found work to keep benefits and earnings for a time. Officials said they hoped one-fifth of the state-wide caseload of about 55,000 families would be off the rolls by November 1998.

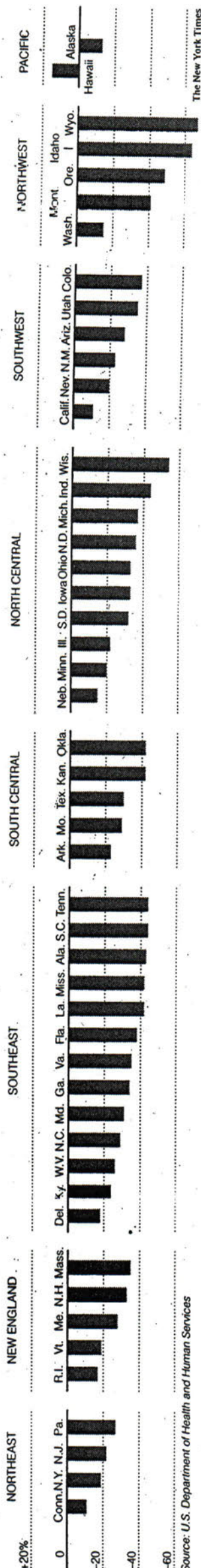
New Jersey, which cut its caseload by 20 percent from 1994 to 1997, used Federal money for child care programs and an extra year on welfare for moms. The state's caseload dropped to 96,000 in 1997 from about 120,000 in 1994.

New York, with the second-largest welfare caseload in the country, continued to drive down the number of people on the rolls through its work programs. In April 1994, the number of families receiving Federal welfare payments was 458,221, dropping to 359,707 in September. But officials conceded they had no idea how many were working, and critics said the state lacked imaginative initiatives for job training and day care.

While promising to end cash payments to single adult welfare recipients after two years, the state enacted a system that pledged to provide vouchers for food and shelter indefinitely to anyone who needed them.

Across the Country, the Number of Families on Welfare Drops Sharply

Percentage change in the number of families on welfare from March 1994 to July 1997.



Source: U.S. Department of Health and Human Services

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The Keys to Electricity: Cost and Cleanliness

By MATTHEW L. WALD

WASHINGTON, Jan. 1 — No matter what effect they have on the coal industry, the Kyoto accords on global climate change will probably not revive the nuclear power industry. Even some reactor makers agree with the energy experts on this one.

When a power plant is needed these days, the decision on what kind to build is generally made according to fuel availability and cost, not carbon dioxide output. That is expected to continue, at least until countries that ratify the Kyoto accords put large taxes on carbon emissions.

In the longer term, the emission of greenhouse gases from power plants is likely to be cut at least in part by retiring inefficient coal plants, because coal burned in those plants emits the most carbon dioxide.

The question then becomes what the most cost-effective approach is. Nuclear reactors produce no carbon dioxide, but they are expensive and pose environmental risks. It might be preferable, experts say, to use the same money to build a much larger number of plants running on natural gas, which produce very little carbon dioxide.

"The greenhouse threat is not enough" to revive nuclear power, said Edward P. Kahn, vice president of a consulting firm, National Economic Re-

search Associates, and an expert on electricity. "The technology of choice everywhere you go is gas."

Mr. Kahn and others say that utilities have been borrowing technological advances from the aviation business and that the cheapest way to make electricity now is to burn natural gas in combustion turbines, which are essentially giant jet engines bolted to the ground. At many power plants, the waste gases from the jet engines are used to boil

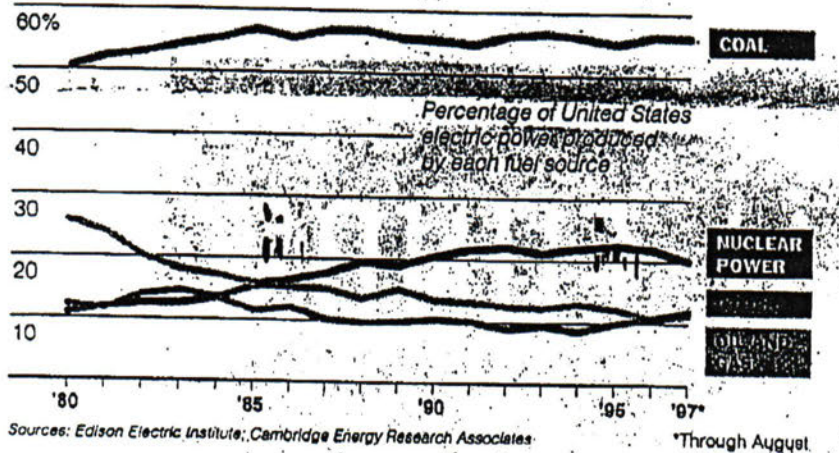
water into steam, which is used to turn a steam turbine and make yet more electricity. In such "combined cycle" plants, 50 percent of the energy in the natural gas is turned into electricity, compared with about 30 percent in older plants running on fossil fuels.

At the Energy Information Administration, a branch of the Energy Department, Jay E. Hakes, the administrator,

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The Fuel of Choice

Coal remains the most widely used fuel for producing electricity, despite some limited inroads by nuclear power. But the use of oil and gas, the other fossil fuels, has declined.



The New York Times

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said: "The combined-cycle gas plant has raised the bar for every other technology. You can produce electricity at a price 10 years ago people would have said was impossible."

Combined-cycle plants are not carbon-free, of course, but taking their costs into account, some people see them as the best option.

Arjun Makhijani, a physicist who is the president of the Institute for Energy and Environmental Research, a nonprofit group in Takoma Park, Md., calculated that a kilowatt-hour from a combined-cycle plant running on gas would emit about 0.12 kilos of carbon, vs. zero for the reactor and 0.4 for an inefficient coal plant. If the aim is to retire as many coal plants as possible with a fixed number of dollars, he said, then for every \$2,000 spent, a utility could replace one kilowatt from coal with one kilowatt from a reactor, saving 0.4 kilos.

But the same \$2,000 would buy two kilowatts from a combined-cycle plant, eliminating 0.8 kilos while emitting only 0.24, eliminating 0.56. His argument, he admits, assumes the continued availability of large volumes of natural gas at reasonable prices.

Combustion turbines or combined-cycle plants running on natural gas are being built anywhere gas is available. All over the world, the choice of a type of power plant involves "joint objectives: safety, economic efficiency, environmental advances," said Susan F. Tierney, an energy consultant who was Assistant Secretary of Energy for domestic and international energy policy in President Clinton's first term. "And right now, your bang for the buck across those objectives is to go for natural gas."

The nuclear industry's main lobbying organization here, the Nuclear Energy Institute, has been arguing for months that global warming is a reason to build more reactors. In a telephone interview, Angelina Howard, a spokeswoman, said there was a "growing recognition" of nuclear power's value because a reactor does not produce carbon dioxide, and she pointed out that Japanese officials recently endorsed a plan to build 20 more reactors. But the Japanese Government has long been committed to building more reactors, and has been constrained mostly by finding sites where residents will accept them.

China, she said, also wants to build a large number of reactors. Xinhua, the official Chinese news agency, reported earlier this week that China has ordered two 1,000-megawatt reactors from Russia, to begin operating in 2004 and 2005 in Lianyungang, a coastal city northwest of Shanghai.

But some companies that build reactors — and also build competing kinds of generators — are not jumping to the conclusion that Kyoto will mean more sales.

"We don't know what the impact will be," said Bruce Bunch, a spokesman for the General Electric Corporation, which builds reactors but also makes gas turbines, steam turbines, hydroelectric plant equipment and generating equipment that would be used in any kind of plant. "The market will determine it."

So far, the requirements boil down

to cost, cost and cost. Roger F. Nail, a spokesman for the AES Corporation of Arlington, Va., which builds power plants around the world, said that no utility, government or electricity customer had even hinted of any interest in global warming.

"If we switched from a coal project to a gas project," he said, "in a country where gas is expensive, just because we were do-gooders and wanted to reduce the global warming impact, it starts adding 10, 20 or 30 percent to the cost of a kilowatt-hour."

Some anti-nuclear advocates have also argued that building a reactor, a huge structure of steel and concrete, requires more energy and results in more carbon emissions than building a simpler plant, creating a "carbon debt." A 1,000-megawatt plant typically has a dome 200 feet high, 140 feet in diameter and two and a half feet thick.

Because of its chemical makeup, concrete is a major source of carbon dioxide releases. The builders of one nuclear plant completed in the mid-1980's boasted that they had used

Is global warming a reason to build more nuclear reactors?

275,000 cubic yards of concrete, enough for a two-lane road 100 miles long.

Ms. Howard, of the Nuclear Energy Institute, said she did not know how the "carbon debt" of a reactor compared with the debt of other generating stations.

And Paul C. Parshley, who analyzes utility companies at Lehman Brothers, said, "It's hard to build a small number of reactors in a large geographical area." Running them well requires skilled, experienced engineers and technicians, and "if you have trouble getting people to go to Gulfport, Miss.," he said, "why should they want to go to the outback of Argentina?"

For the United States, new nuclear plants are not likely, because of cost, public opposition, and the failure of the Federal Government to establish a waste repository. At the Energy Information Administration, Mr. Hakes, the administrator, gave a pessimistic view.

"Nuclear could conceivably benefit on tighter controls on carbon emissions," he said. But with competition now being allowed in electric generation, "we don't have gains for nuclear" in the projections.

Deregulation of power plant construction has encouraged small, low-cost plants, to minimize investor risk. But nuclear plants are big, capital intensive and hard to build quickly.

Extending the life of existing reactors by 10 years beyond when their licenses are now scheduled to retire could cut carbon emissions in 2020 by 2 percent, or 42 million metric tons a year, the agency said recently. Retiring them 10 years before their licenses expire — which is the current trend — would raise emissions by 4 percent.

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The New York Times

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Energy for a Power Source

Coal May Become A Better Choice

By AGIS SALPUKAS

GILLETTE, Wyo. — Amid the rolling hills of northeastern Wyoming, a towering five-story plant is using heat and pressure to turn the low-grade coal that abounds here in the 9,700-square-mile Powder River Basin into high-quality fuel — and, in the process, make that coal less a hazard to the environment.

The \$60 million experiment by KFX Inc., a small company that has received help and money from some giants of the energy industry, is in the forefront of a broad effort to extend the life span of one of the world's first, most widely used fuels.

In the debates over pollution and global warming, coal has been labeled a prime villain. Coal has long been under assault as a leading contributor to smog and acid rain. And it could be dealt a severe blow if the proposals to cut carbon dioxide emissions made at the recent talks on global warming in Kyoto, Japan, are eventually adopted.

Even in the face of all that, though, some in the coal industry remain decidedly bullish. Coal, they argue, is too deeply entrenched to allow any quick, drastic changes. After all, coal-fired plants produce fully 57 percent of this nation's electricity.

And on the pollution front, coal is rapidly cleaning up its act. Many plants have been upgraded with expensive pollution controls, and new processes — like those KFX is using — promise to cut pollution further. And part of the process has the potential to cut carbon dioxide as well.

In other words, the world may be stuck with coal at least for a while, but that may not be the disaster it might appear.

Many utilities regard coal plants as their crown jewels. As the cheapest, most reliable source of electricity, these plants, which now often run far below capacity, are expected to play a sizable role in bringing rates down as the industry deregulates.

Coal-fired plants could, in theory, be converted to use some other fuel, but that would be prohibitively expensive. The Edison Electric Institute, which represents most of the nation's investor-owned utilities, has estimated that it would cost close to \$30 billion to convert coal plants to use natural gas, which produces less pollution and carbon dioxide.

Cleaner fuels, like natural gas, will surely make inroads, but even if utilities are forced to stop using coal, it is

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doubtful that enough natural gas could be brought into production to displace coal in the near future.

In addition, any big shift would cost tens of thousands of jobs, a possibility that seems remote any time soon, considering the political influence of the highly unionized coal industry. Britain learned this lesson recently, putting a halt to issuing new permits for natural-gas-fired plants, whose construction was surging, while it determines the impact on its battered coal industry.

In developing countries, coal's future seems even more solid. Coal is expected to merely hold its own in the United States, with the Energy Department predicting 1 percent annual growth through 2015. But China and India, knowing that their own coal is cheap and plentiful enough to last for centuries, plan to build hundreds of coal-fired plants.

In the developing world, the Energy Department predicts, coal use will rise about 3.3 percent a year through 2015, nearly doubling the 2.2 billion tons those nations burned in 1995.

"Coal is going to be used especially by countries that have lots of it," said Robert H. Gentile, an Assistant Energy Secretary in the Bush Administration and now an executive with KFX.

Nations like China, India and Pakistan argued in Kyoto that they should not have their coal use limited because it represents the cheapest way to supply their rapidly growing demand for energy.

They want nations like the United States, which has just 4 percent of the world's population but produces about a fifth of its carbon dioxide, to take the first steps to cut emissions.

Under the Kyoto agreement, industrialized nations would have to cut carbon dioxide emissions 5.2 percent below 1990 levels. The United States would be required to cut them 7 percent from 2008 through 2012.

To be sure, the coal and utility industries do not have their heads in the sand. They fully understand that concern over global warming is bound to intensify.

That is why KFX and similar ventures are trying to go beyond cutting pollution to try to address concerns on global warming.

After some setbacks, KFX restarted its plant several weeks ago, taking coal from the local mines here and heating it to about 725 degrees under intense pressure to remove almost all the water. This process upgrades the coal, enabling utilities to burn about half as much to get the same

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lution and carbon dioxide emissions in the process.

The plant, built at a cost of \$40 million, is expected to process 500,000 tons a year of this coal, which the company calls K-fuel.

The effort is the brainchild of a group of entrepreneurs led by Ted Venners and his brother John. After making a small fortune in Powder River Basin coal in the 1970's, they decided to risk everything and invest \$20 million in the 1980's in this process, developed by an inventor named Edward Koppelman.

Mr. Koppelman, who also developed the mechanism that de-ices airplanes, found after years of trial and error that by careful control of time, heat and pressure, the efficiency of coal could be increased.

The Venners stand to profit handsomely if their gamble pays off — if, that is, they can convince utilities in the East and Midwest that they can cut pollution and carbon dioxide and increase plant efficiency by paying top dollar for KFx's upgraded coal.

KFx's coal matches the quality of

A cheap way to produce electricity could become more attractive.

the higher-grade coal mined in the East. But the higher-sulfur Eastern coal, which has a considerably greater energy output in terms of B.T.U.'s, sells for \$18 to \$25 a ton, while Powder River Basin coal sells for as little as \$3. After KFx processes it, it hopes to sell its fuel for as much as the Eastern coal.

The KFx process, though, reduces nitrogen oxides by about half and sulfur by up to 20 percent, making it attractive to utilities, which are under pressure to cut these emissions. Powder River Basin coal is already a low-sulfur coal, but the KFx process reduces the sulfur even more, making it far cleaner than Eastern coal.

It can also have an impact, though a more limited one, on global warming. The process has the potential to cut carbon dioxide emissions by about 6 percent, even allowing for the coal used to create the upgraded fuel, since less coal is needed to produce the same amount of energy.

The initial investors in KFx persuaded the Thermo Ecotek Corporation, a unit of Thermo Electron, a Waltham, Mass., company that specializes in bringing new technology to market, to invest \$60 million.

Also, the Kennecott Energy and Coal Company, a unit of the RTZ-CRA Group of Britain that has become a leading producer of coal, spending about \$1 billion since 1990 to buy up reserves in the United States, has provided technical aid.

Kennecott will also help finance the building of plants using the KFx process if it proves viable.

Customers are starting to appear. American Electric Power, a big coal-burning utility that serves 2.9 million customers in seven states in the East and Midwest, has committed itself to buy 167,000 tons a year from KFx.

For American Electric, that is a drop in the coal bucket. As the nation's largest purchaser of coal, it buys about 58 million tons annually. Of that, about 10 million tons is lower-grade coal from the Powder River Basin and other mines in the West, and it wants to see if it would be economical to use the KFx fuel and to what extent it would cut pollution and carbon dioxide.

Even if controls are put on carbon dioxide, said Charles A. Ebotino Jr., the utility's senior vice president for fuel supply, "coal is going to be a large piece of the action."

At the KFx plant, things did not start off smoothly. A fire a year ago forced it to shut for repairs. An error by an engineer led to months of further delay and added cost.

The Venners, however, remain undaunted, convinced that the utility and coal industries will have to try out new technology.

"It's going to be a mixed bag of solutions," said Ted Venners, KFx's chairman. KFx's method for cleaning up coal before it is burned is only one of four basic approaches.

One process now becoming widespread is to suspend crushed coal on a jet of air and mix it with limestone; this cuts emissions of sulfur dioxide, which contributes to acid rain. This method also means the fuel burns more efficiently, reducing overall emissions.

The most common approach, though, is to treat the emissions after the coal is burned with expensive scrubbers to cut down on sulfur dioxide and particulate emissions.

There have also been efforts at coal gasification, in which coal is turned into a gas similar to natural gas. This gas is then used to run power plants. So far, however, the output of electricity is very small. Such approaches should increasingly come into play as utilities do all they can to keep their coal-fired capacity.

Just a few miles from the KFx plant is the Wyodak power plant, a prime example of why utilities are reluctant to phase out coal.

About 90 tons of coal, extracted from a strip mine next to the plant,

are burned hourly to produce some of the nation's cheapest electricity.

The coal, often selling for less than \$3 a ton and easily mined by huge power shovels, is expected to remain the backbone of many of the nation's power plants for decades to come.

The Wyodak plant is one of many owned by PacifiCorp, a huge utility in Portland, Ore., that transmits power throughout the Northwest.

PacifiCorp has \$4.6 billion invested in its coal-fired plants. They produce power at an average of about 1.5 cents a kilowatt hour, one of the lowest levels in the nation.

"We work very hard to keep our costs low," said William Edmonds, a regional affairs administrator for the utility. "We operate our coal-fired plants at high capacity."

With deregulation opening major markets like California to competition, PacifiCorp has geared up to be a big supplier of low-cost power. And coal is a vital part of its strategy.

It is such powerful forces that give Ted Venners the will to persevere in an industry that some perceive as on the way to extinction.

Driving his big Chevrolet truck along the highway on the way to the plant, he pointed to the rolling hills and said: "There's enough coal there for 200 to 300 years. It's so cheap to take it out of the ground."

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Mystery Man

What Hoffa Might Do As Teamsters Leader Puzzles Many People

He Worships His Father,
Is Loyal to Old Guard,
And Offers Few Specifics

A Pledge to Strengthen Union

A

By GLENN BURKINS

Staff Reporter of THE WALL STREET JOURNAL

DETROIT — Except for his extraordinary name, James P. Hoffa seems like a very ordinary man.

At 5 feet 10 inches, he has the stocky build of the college linebacker he used to be. His hair is turning gray, his face is round and puffy, and he worries about gaining weight. He has had a relatively undistinguished legal career.

One of his closest friends, Detroit businessman Jerry Clary, says they met at Detroit's old downtown YMCA, where they used to square off at racquetball. They also are golfing buddies. And once or twice each fall, Mr. Clary says, they and their wives drive from their homes in suburban Detroit to Lansing to see Michigan State play football.

Ask Mr. Clary about his pal's political views or personal ambitions, however, and he has little to say. "Jimmy and I are friends, but that's as far as it goes," Mr. Clary says. "There are things that Jimmy just doesn't discuss."

Now, at age 56, Mr. Hoffa stands poised to become one of the nation's most powerful labor leaders. Teamsters President Ron Carey's narrow 1996 victory over Mr. Hoffa was voided this August after federal officials charged that the Carey campaign had embezzled more than \$700,000 in Teamsters money, and Mr. Carey was barred from participating in a rerun election next spring. Mr. Hoffa is also under investigation for 1996 election irregularities, but if he is allowed to stand for election, he will be the favorite to take over the 1.4 million-member union.

But just who is James P. Hoffa? Where would he take the Teamsters? And why do other top union leaders fear him so?

The Corruption Issue

His critics say he would take the union back to the days of rampant corruption, when the Teamsters were affiliated with mobsters. They note, correctly, that he idolizes his late father. He steadfastly insists that his father wasn't involved in organized crime, and his office at Teamsters Joint Council 43 in Detroit is filled with pictures of James R. Hoffa — plus a giant poster of Jack Nicholson in the lead role in the 1992 movie, "Hoffa."

Mr. Hoffa's critics also note that in the 1960s, before his father disappeared, the son went into a "high risk" loan business

with a known mobster, Allen Dorfman. At the time, Mr. Hoffa says, he didn't know of Mr. Dorfman's mob ties. Mr. Dorfman was shot to death in a Lincolnwood, Ill., parking lot in 1983.

But the controversy surrounding Mr. Hoffa is also at least as much about politics as it is about corruption.

Under Mr. Carey, the Teamsters, which in the '70s and '80s had frequently backed Republican candidates, strongly supported AFL-CIO President John Sweeney's efforts to help the Democrats and liberal causes. The union is the AFL-CIO's biggest affiliate, and it was Mr. Carey who provided Mr. Sweeney with a winning margin in his 1995 bid to replace former AFL-CIO President Lane Kirkland; Mr. Sweeney rewarded Mr. Carey by making him one of his most trusted advisers.

Sweeney's Backing of Carey

During the Teamsters' 15-day strike against United Parcel Service of America Inc., at the height of the Hoffa-Carey battle about overturning the election, Mr. Sweeney told reporters that Mr. Carey was too important to the labor movement to go down in defeat.

Federal investigators are also looking into allegations that the AFL-CIO's support for Mr. Carey went further; federal prosecutors have implicated at least one top federation leader in the conspiracy to help funnel Teamsters money improperly into the Carey campaign.

Under Mr. Carey, Mr. Hoffa says, the Teamsters have become a "slavish follower" of the Clinton White House and the Democratic National Committee, pumping millions of dollars into AFL-CIO campaigns to support Democrats.

Indeed, federal prosecutors say the DNC played a prominent role in the money-laundering by Mr. Carey's campaign, agreeing to find wealthy donors for the 61-year-old union leader's re-election campaign in return for large donations to Democratic causes. Mr. Hoffa says he would train more of the union's money on grass-roots labor issues and less on promoting what he calls a "liberal social agenda." He adds:

"Carey became a cash cow for the White House, and he became a cash cow for the DNC. That's why they supported him, and that's why they would do anything to keep him on board." As Teamsters president, he says, he would quickly end that cozy relationship.

Mr. Carey has consistently said he was

Please Turn to Page A12, Column 1

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unaware of the money-laundering scheme. He blames it on rogue members of his campaign staff, who "kept it from me."

Asked specifically on which social issues he disagrees with Mr. Carey and Mr. Sweeney, however, Mr. Hoffa gets vague. With regard to private-school vouchers, for instance, he says he is unfamiliar with the issue. After it is explained to him, he replies: "I don't think that is something a union person would get involved in." When told the AFL-CIO opposes vouchers because teachers' unions do, Mr. Hoffa says: "We'll have to look that up. Perhaps we would have the same position."

Mr. Hoffa clearly doesn't share the liberal background of many labor leaders. In the 1960s, when many college students were letting their hair grow long and protesting against the Vietnam War, Mr. Hoffa wore a buzz cut and supported U.S. efforts in Vietnam.

Jack Mogk, a law-school friend of Mr. Hoffa's and currently a law professor at Wayne State University, says Mr. Hoffa "would not have fit into the students who were caught up in the long-hair and hippie movement." Instead, he says, Mr. Hoffa was like "any other man who had a successful future in mind."

After law school, Mr. Hoffa landed a \$5,000-a-year job as a Ford Foundation research assistant in Michigan's legislature. The following year, he took a leave of absence from that job to run as a Democrat for a vacated seat in Michigan's House. He campaigned door-to-door and, on election day, passed out plastic roses to prospective voters. He won the nomination.

Defeated in Election

In the general election later in 1967, he picked up a surprise endorsement from then-Vice President Hubert H. Humphrey, as well as one from Sen. Robert F. Kennedy. But in a heavily Democratic district, he was defeated by a little-known Republican, Anthony Licata, by just over 100 votes. Mr. Hoffa says he lost because the Licata campaign was better organized. Mr. Licata, now retired, says Mr. Hoffa lacked any significant issues.

After his defeat, Mr. Hoffa abandoned politics. "You have to remember," he explains, "this was a difficult period in my life. My father had gone to jail in 1967, so we were under an awful lot of pressure." Some of the elder Mr. Hoffa's supporters called on his son to get into Teamsters politics. He declined. "My children were young, and one must do things at a time in his life when things are right," he says.

Instead, he opened up a Detroit law practice, specializing in labor law, and since then has been almost invisible politically. He has worked for no candidate and championed no political causes.

In nearly three decades as a labor lawyer, Mr. Hoffa has left few footprints. He was viewed as a competent lawyer, but one who "has not made a big mark on the world," says Barbara Harvey, a lawyer who often faced him in court. "I don't really think he has a reputation."

Biggest Court Case

Mr. Hoffa got most of his legal business from a few Michigan Teamsters locals that had been loyal to his father, especially Local 299, which his father had helped build. In 1978, he defended Local 299's leaders against a lawsuit filed by five Teamsters women who charged that the union had sold them out during negotiations to merge two auto-hauling companies. After the merger, all the men who worked at the two companies were merged into one seniority list, but the women were excluded. After initially winning their suit in federal district court in Detroit, the women lost in the Sixth Circuit Court of Appeals on technical grounds.

Mr. Hoffa's biggest case came in 1975, when his firm represented five white Detroit police sergeants who sued the city, alleging that the police department's new affirmative-action program discriminated against white officers. The city had implemented the program to correct what 'ts

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officials termed decades of discrimination against blacks. A federal judge eventually agreed with the city and dismissed the sergeants' suit. Mr. Hoffa played only a secondary role in the litigation; one of the officers, now retired, says they chose Mr. Hoffa's firm primarily because of the expertise of his partner, Murray Chodak.

Today, Mr. Hoffa says he favors some forms of affirmative action, provided the remedies for past discrimination don't interfere with seniority rights in a union contract. As a lawyer, Mr. Hoffa says, he has handled many types of cases, and he adds that the cases say nothing about his political philosophy. "You can't say that since I represented a drunk driver, I'm for drunk driving," he comments.

During those years, Mr. Hoffa was an intensely private man—and a bit of a loner in the legal profession. A sports fan, he was a fixture for decades at the local YMCA.

Those who know Mr. Hoffa cite one consistent characteristic: loyalty to individuals rather than to causes. That's also what most worries some people.

Bill Saxton, a Detroit labor lawyer who has known Mr. Hoffa since his teenage years, calls him a "gutsy guy" who would make an excellent union leader. But Mr. Saxton also says Mr. Hoffa has "blind loyalty" to old-guard Teamsters who once supported his father. "I've never seen him turn his back on any of the old guard, and I don't think he would." Adds Ms. Harvey: "As a lawyer, I found him to be more deeply committed to the individuals who were in office than to the unions themselves."

Washington Puzzled

In Washington, Democrats and Republicans alike aren't sure what to make of Mr. Hoffa. He traveled to Capitol Hill last spring and met with the entire Michigan congressional delegation to spell out his allegations that the Carey campaign had cheated him out of the election. But it was an antiunion Republican, Rep. Pete Hoekstra, who took up his cause and began investigating the race.

Mr. Hoffa says the Michigan legislator is "doing a great public service because he is pointing out what everybody wants to put under the rug," referring to the alleged money-laundering scheme and the government's failure to detect it.

Don Sweitzer, who served as the Democratic National Committee's political director in the first two years of the Clinton administration, concedes that many Democrats are concerned about Mr. Hoffa. However, he says, much of that consternation may well be unfounded. Mr. Hoffa, he says, is an "unknown factor to most people . . . in national politics."

Scott Reed, a Washington political consultant who managed Robert Dole's presidential campaign, says the Republicans are cautious in their expectations of Mr. Hoffa. While they hope he will be a moderate force in labor, Mr. Reed says, "I think the jury is still out on Hoffa."

Mr. Hoffa concedes that people "don't understand where I'm coming from. I am a different type of person, an independent. People have to understand that I am not going to be a knee-jerk supporter of one party or the other."

Mr. Hoffa is reluctant to speculate about whom he might tap to help him lead the union. But campaign insiders say he is almost certain to pick his campaign manager, Thomas M. Pazzi, for a key post, perhaps even chief of staff. Mr. Pazzi has worked in several Democratic campaigns dating back to Robert Kennedy's 1968 presidential bid.

Union Finances

Another name insiders mention is John Murphy, president of Teamsters Local 122 in Boston, which mainly represents beer-truck drivers. Mr. Murphy, considered a political liberal, played a leading role in helping uncover the alleged money-laundering scheme in the Carey campaign. At the 1996 Teamsters convention in Philadelphia, he led a raucous Hoffa delegation that challenged Mr. Carey's leadership.

Now, Mr. Hoffa says, one of the union's first objectives should be to rebuild its finances. Under Mr. Carey, the union treasury went from more than \$160 million in net assets to almost nothing, and at times Mr. Carey had to borrow from the AFL-CIO and other unions just to keep the Teamsters afloat. Earlier this year, labor had to pledge millions of dollars to help the Teamsters weather the UPS strike.

"No matter what anybody tells you," Mr. Hoffa says, "if you don't have money, you are not a power. We are beggars in the house of labor." Mr. Carey, he adds, "has turned the Teamsters into a union of beggars" and a "paid-for house puppet of the AFL-CIO."

Mr. Carey has said that much of the

union's financial problem dates back to 1991, before he was elected, when union leaders voted to raise strike benefits to \$200 a week from \$55 but failed to raise dues to cover the increase. He also has said the union has had to spend additional money to root out corruption.

While Mr. Hoffa concedes that the Teamsters were corrupt in the past, he says the government's cleanup effort has been divisive for the union in many ways. "There is no longer a feel that we are all Teamsters," he contends. "This union can never be great again until it is united." And if elected, he says, he will negotiate with the government to set a termination date for the federal supervision.

THE WALL STREET JOURNAL
TUESDAY, DECEMBER 30, 1997

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Paul C. Light

Call in the Cleanup Commission

Washington was shocked, shocked, to learn the other day that federal agencies have been slow to implement the 1996 Debt Collection Improvement Act. "It's embarrassing," said Rep. Carolyn B. Maloney (D-N.Y.) of the federal government's failure to collect more than \$50 billion in delinquent, non-tax debt. "We passed a law, and the agencies ignored it."

Get in line, Ms. Maloney. The recent history of making government work has been a frenzy of mostly non-implemented reform. It is not that agencies want to break the law. Rather, it is that there are so many laws that agencies can't tell which ones to obey. It is safe to say that the problem with federal management reform is not too little reform but too much.

Just look at financial management reform. Over the past 50 years, Congress and presidents have tried it all: new reporting systems to expose financial weaknesses to the harsh glare of public disclosure, financial management czars to elevate reform to the highest levels of concern within each agency, stronger enforcement authorities to force government and citizens to pay their bills on time, even freedom to break the rules if doing so would improve service to the customer. If

"It is safe to say that the problem with federal management reform is not too little reform but too much."

government is not getting better, it is not for a lack of trying.

Alas, no amount of sunshine, leadership, enforcement or freedom seems to work. Nor does passing the same law over and over. The 1996 Debt Collection Improvement Act is the third time since 1982 that Congress and the president have demanded action, all to no avail.

Like so much in the 200-year-old effort to make government work, financial management reform is a patchwork of competing, often contradictory, philosophies of reform. The reporting systems embedded in the 1982 Financial Managers' Financial Integrity Act were designed to create more sunshine in government, while the financial management czars created under the 1990 Chief Financial Managers Act were created to tighten up central control. The tough enforcement authorities enacted in the three versions of the Debt Collection Act

were supposed to create what one inspector general described as the "visible odium of deterrence" for delinquents, while the freedom to break the rules was mostly designed to free trustworthy federal employees from the rules and control created by sunshine, central control and deterrence.

Separately, each philosophy creates its own unintended consequences. Sunshine in government can create what Sen. Daniel Patrick Moynihan (D-N.Y.) calls a culture of secrecy in which even the most innocuous information is classified out of reach. Tighter control can create a thickening of the administrative arteries that prevents good ideas from flowing up and implementation orders from flowing down. The war on waste can drive so much fear into agencies that they won't take advantage of innovative ideas for cleaning up debt. And liberation management may delude agencies into

implementing the laws they like and ignoring the rest.

Together, however, the four philosophies can leave agencies gasping for guidance. Are they to trust their employees to do the right thing, as Vice President Gore's recent reinventing report says, or are they to whip their employees to follow every last instruction from often ambiguous statutes? Are they to open their agencies to the press and public, airing their weaknesses for all to see, or are they to centralize control so that no employee makes a move without checking?

The answer, at least for now, is all of the above. Congress and presidents are perfectly capable of opening government to the sunshine one minute and shuttering it the next; exhorting employees to take risks one minute and investigating them the next. No wonder most agencies are still waiting to implement the Debt Collection Act. After all, it has only been three statutes and 15 years since Congress first demanded action. Give it another three or four statutes and 15 years, and they might start to believe reformers are serious.

Luckily, Maloney and her Government Reform and Oversight subcommittee chairman Rep. Stephen Horn (R-Calif.) can do something about it.

They can make a remarkable contribution to performance by simply clearing away the administrative flotsam that has come ashore over the past 50 years as Congress and presidents have lurched back and forth from one philosophy to another. The best way to do so is to create a "cleanup" commission to strip out the non-implemented reforms. Modeled on the military base-closure commission, such an effort could present Congress and the president with a simple up-and-down vote on a host of fired statutes that clearly don't work. Not only would such an effort eliminate thousands of pages of needless rules and reporting requirements, it would force policymakers to set priorities among the competing reforms.

Absent such signals, agencies are cursed to stand knee-deep at the seashore as wave after wave of reform comes ashore, wondering which is real and which can be ignored. Like the Danish King Canute, reformers who insist that agencies implement everything are consigned to a watery end. Agencies are no more capable of implementing it all than Canute was to command the tides of the ocean to cease.

Paul C. Light has written extensively on issues of government reform.

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Shared satellite laser test weighed

U.S. plan could breach security

By Bill Gertz
THE WASHINGTON TIMES

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The Clinton administration is working on a new arms control plan that would create an international clearinghouse for laser tests in space, according to White House and Pentagon officials.

The purpose of the clearinghouse would be to prevent damage to sensitive American communications and spy satellites.

But Pentagon critics say the proposed clearinghouse could give Russia and other nations with anti-satellite programs critical data on the vulnerabilities of U.S. communications and intelligence satellites. Knowing those weaknesses would make it easy for any nation to blind military sensors before or during conflicts, they contend.

Satellites are a key element of the U.S. military's war-fighting concept of "information dominance" over a battlefield, and disrupting space sensors would seriously weaken U.S. military power.

"The Russians have yet to prove they are our friends," said a high-ranking U.S. government official opposed to the arms control plan. "What the administration is proposing is the kind of cooperative arrangement you have with close allies like Britain. It is but one more example of their delusional policies toward Russia."

The official said Moscow's nuclear trade and missile cooperation with Iran is an example of Russia's continuing adversarial stance toward the United States.

Robert Bell, National Security Council arms control specialist, said the clearinghouse would be modeled after a similar forum now run by the U.S. Space Command in Colorado. The forum coordinates all U.S. military or civilian scientific

LASER

From page A1

tests involving lasers aimed above the horizon that could reach satellites.

"What we're saying is that we are prepared to look into expanding that so that countries that have ground-based lasers could use that information... so that their use of lasers would not cause damage," Mr. Bell said in an interview. "This is at a very preliminary stage."

Pentagon officials said they believe the arms proposal on lasers is linked to a letter sent to President Clinton in September by Russian President Boris Yeltsin opposing U.S. anti-satellite efforts.

"This is the typical arms control response [to the Yeltsin letter]," said one U.S. government defense official. "The Russians complain, and we scramble to come up with some cooperative program or agreement to satisfy Russian concerns, without thinking of U.S. security interests."

Pentagon sources said the Space Command has studied the laser clearinghouse plan and does not favor exchanging satellite and laser data with the Russians because of the risks of providing satellite vulnerabilities.

The idea of what the Pentagon calls "deconflicting" laser tests with orbiting satellites will require giving up information about the satellites that may be damaged and the characteristics of the laser being fired into space.

"For us to use this with the Russians, they've got to tell us the capabilities of their satellites, which they're not going to do," said a defense official.

"For an exchange of information to be useful, you've also got to provide information about the satellite that might be affected.... Even if you just say 'there might be a problem' for a certain satellite to be affected by a laser is an indication it is vulnerable."

Mr. Bell said between 20 and 30 nations have ground-based lasers capable of putting directed energy into space.

The problem of laser energy damaging satellites was highlighted by the military's test of two lasers against an Air Force satellite on Oct. 17, when the 1-million-watt Mid-Infrared Advanced Chemical Laser, or MIRCL, was fired into space from the Army's White Sands, N.M., missile range.

"We learned a lot about the effects of low-powered lasers on sensors," Mr. Bell said of the MIRCL test. "From the test, we now know that our concerns were well founded: We could be blinded by lasers."

Even a few seconds of exposure

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The Washington Times
FRIDAY, JANUARY 2, 1998

from a low-powered laser can disrupt space-based sensors. "What we learned validated what we thought all along... even a momentary or inadvertent exposure can cause damage."

Pentagon officials said the high-powered beam from the MIRCL illuminated the satellite but then malfunctioned. As a result, a 30-watt laser was then used.

The damage caused by the small laser alarmed many Pentagon and military officials because it showed that low-powered lasers can damage space sensors after only a short exposure. "There was a lot of panic over that," one official said.

Mr. Bell declined to say why the plan is being drawn up, or whether it has any connection to the Yeltsin letter.

Arms control proponents have criticized the Pentagon for the MIRCL laser, which they claim is opening the way for space warfare.

Mr. Yeltsin stated in a "Dear Bill" letter last September that he was "alarmed" by U.S. efforts to "develop a whole gamut of anti-satellite weapons."

The Pentagon has denied it plans to build any anti-satellite weapons, and Mr. Bell insisted that the October laser test was conducted solely to determine satellite vulnerabilities to ground-based lasers.

see LASER, page A18

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The Tarnished Darlings of Wall Street

By Joseph Nocera

T NORTHAMPTON, Mass. The year 1997 was a rough one for the holders of health care stocks. Columbia/HCA, which had been one of Wall Street's favorite growth companies, saw its once high-flying stock drop from \$45 a share in March to \$28 in October after the company became the target of a major Federal investigation.

Then there was that other Wall Street darling, Oxford Health Plans. Since going public half a dozen years ago, it had been one of the fastest-growing managed care companies in the country. But in October when Oxford stunned the market by announcing its first-ever quarterly loss, shares of the stock lost 63 percent of their value in a single day.

And Aetna, the insurance giant, has seen its stock hammered in recent months, thanks to problems

Managed care companies serve too many masters.

with U.S. Healthcare, its managed care subsidiary.

The problems of these companies point out the flaw of a health care industry subject to the turbulent market: What's good for patients isn't necessarily what's good for stockholders. And vice versa.

Until recently, health care stocks were booming — owing to the recent dramatic changes in the health care economy, particularly the nationwide move to managed care.

For instance, Oxford's profits rose at a compounded rate of 75 percent a year, and its stock climbed from \$4 a share in 1991 to \$89 a share in 1997. Indeed, in the fall of 1996, 12 health care companies made Fortune's annual ranking of the 100 fastest-grow-

ing companies in the United States, the second-best showing of any sector.

When an investor sees numbers like these, his or her natural inclination is to jump in with both feet. Yet by now the word "investor" has come to mean not just the Wall Street cognoscenti but practically everybody — more than 40 percent of American households are now invested in the market. But these same investors are also consumers of the new health care companies and may even have been part of the recent backlash against the cost cutting practiced by the typical managed care company.

But so long as the stocks kept going up, it was easy to overlook this weird duality. In fact, people tended to view these companies purely through the prism of the market, rooting for the stock while ignoring the business. They were letting the tail wag the dog.

Consider the root cause of the swoon in health stocks. After years of cutting costs with impunity, managed care companies are facing rising costs. Why? Because they are being forced — in no small part as a reaction to intense criticism from doctors and patients — to pay more for treatment. Yet at the same time, these companies have been unable to charge higher premiums, thanks to pressure from large employers who contract with managed care companies.

What's more, it's now clear that in some cases the concern with producing results that would please investors caused some companies to make terrible mistakes. Columbia/HCA's strong-arm tactics and brutal cost-cutting led to resentment so great that the company is now removing the Columbia/HCA name from many of its hospitals.

Oxford, meanwhile, put such emphasis on growth at any cost that it spun out of control when a new computer system caused the company to lose track of its business.

What's particularly troubling is that even as these stocks have tanked, there is still a tendency to view the companies mainly through the prism of the market. Yes, there has been reporting on what Oxford's troubles mean for its customers, but the vast majority of the coverage has been about Oxford's dismal share price and about whether the company can re-

gain its status as a hot growth stock.

But should health care consumers care if Oxford becomes a hot stock again? Maybe they shouldn't. Nobody's saying Oxford, or any other health care company, should have to lose money. But the imperative that Wall Street demands of hot growth companies — that profits increase by eye-popping amounts year after

year — doesn't quite jibe with the business of delivering first-rate health care to the public. If there is a larger message in the decline of the health care sector, surely that's it. Besides, the situation that caused the stocks to tank in 1997 — more and better treatment without higher premiums — may have been lousy for shareholders, but it was a pretty good for anybody who happened to get sick last year.

I'm not advocating an end to the bull market. My retirement money is there, too, just like everyone else's. But when that wild ride does finally end, perhaps we'll start thinking about what matters again, instead of simply worrying about how the stock price will be affected. □

The New York Times
Sunday, January 4, 1998

Joseph Nocera is an editor at large with Fortune magazine.

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Fail-Safe Strategies In a Market Era

By DAVID E. SANGER

The New York Times

Sunday, January 4, 1998

THE setting was the White House Situation Room. It was the second crisis meeting of the day in the famous underground briefing center, where, in Hollywood's imaginings, vast screens illuminate the day's catch from spy satellites and orders are barked through secure links to American outposts around the globe.

The truth, of course, is always more prosaic: the room is cramped, and the screens are more likely to be carrying CNN. But what has really changed in the Situation Room in recent months is the things people talk about there.

While the "Sit Room" is still where the nation's leaders go to discuss

— the Asian meltdown has all the earmarks of the ultimate post-cold-war foreign policy crisis.

It is not simply that conversation in the Situation Room these days often parallels the talk in trading pits and boardrooms. Nor that Washington has finally come to regard a currency crisis in Mexico or Southeast Asia as a foreign policy problem that needs to be managed with the vigor devoted to Bosnia or the Middle East — even if falling currencies lack the televised drama of troops with guns.

Three Crises

What's happening today goes a step further. The newfangled financial crises that destabilize huge economies in a single trading day appear increasingly connected to old-line political and security crises. In fact, there is growing fear that 1997's market calamities could beget 1998's security crises — which explains why Defense Secretary William Cohen and Secretary of State Madeleine Albright joined the Administration debate over saving Korean banks.

Their concern dates back to Indonesia's financial seizure in September. That immediately raised fears that the country's economic problems, which have worsened despite an International Monetary Fund bailout, could be exploited by itchy generals looking for ways to push aside President Suharto — probably not the best way to handle Asia's most problematic political transition. The last time military control of the country changed hands, half a million people died.

But when the trouble hit South Korea, the Administration went on full alert. That is where 37,000 American troops are lined up against the most xenophobic government on Earth. Some Pentagon strategists warned that hard-line North Korean generals might try to capitalize on the South's moment of weakness. But the more immediate worries were how the economic instability might threaten South Korea's fragile democracy; and how it might raise Seoul's doubts about the security alliance with the United States. "If we were perceived to be abandoning them on this issue," one of Mr. Clinton's top security aides said, "they could easily doubt our commitment to help them in an uglier confrontation."

You Never Know

Then there is the question of China, which so far has avoided the contagion afflicting the region. George Soros, the financier blamed by Malaysia's leader for starting this madness (falsely, it turns out), marked the New Year with a dour essay warning that the Chinese economy could be the next to burst. At the Treasury, that worry takes a back seat to fretting over Japan.

Of course, these are not the situations for which the Situation Room was built. If they were, every seat at the table would be equipped with a Bloomberg financial terminal.

Some critics even call the Administration's tilting with markets a prime

Continued From Page 1

example of its small-potatoes diplomacy. Others say this is the kind of problem where intervention may simply make things worse. As Jeffrey Sachs and Steven Radelet of the Harvard Institute of International Development argued in Foreign Affairs last month, "the currency upheavals probably reflect short-run financial considerations rather than a long-term crisis of regional growth."

The problem is that you never know whether a financial crisis is just a financial crisis until it turns into something worse. The failure of a major Austrian bank in 1931 led to a cascade of failures and devaluations through Eastern Europe and Germany that sped Europe's prewar descent into chaos. No one is predicting anything like that in Asia. But as Alan Greenspan, the Federal Reserve chairman, said recently, the same technology that has created 24-hour markets has also "enhanced the ability of the system to rapidly transmit problems in one part of the globe to another."

Washington is probably ahead of other capitals in understanding that dynamic, though it underestimated the depth of the brewing crisis. Often, its early-warning system is still tuned to another frequency.

While the State Department and the Central Intelligence Agency have talked for years about making economic analysis a top priority, it is still something of a backwater. At the outbreak of the South Korean crisis, almost no one at the American Embassy in Seoul could offer the Treasury insights about what was going on, or extract the truth from South Korea's Finance Ministry.

The Treasury turned to the embassy because none of its own experts are stationed in South Korea — the world's 11th-largest economy — or anywhere else in Asia except for Tokyo. That gap, say, a big problem would have helped. The International Monetary Fund employs more than 1,000 Ph.D. economists, many of whom constantly travel the globe looking for trouble in the making. They issued reports praising both Thailand and South Korea for "sound macroeconomic management" only months before those countries were pleading for, and got, I.M.F. bailouts.

One reason the Government devotes so few resources to these problems is that the private sector devotes so many. Lawrence H. Summers, the Deputy Treasury Secretary, who has spent his days and nights consumed by Asia's problems, notes that "unlike the military sphere, in the financial sphere there are thousands of market participants processing and analyzing information, assessing risk." He adds that "that assessment is reflected in prices" as nations and companies seek to raise money in global markets.

But in the Asian debacle, like the Mexican crisis before it, finance ministries hid the data that might have sounded alarms. That is why the Clinton Administration has been pressing for worldwide rules requiring greater disclosure of monetary data traditionally kept secret. The theory is that if governments know they cannot conceal evidence of trouble, the markets will force them to solve the problem, or watch billions of investment dollars go elsewhere. The problem is that fuller disclosure could set off plenty of false alarms, turning small problems into huge ones if international lenders panic.

So much for the hope the end of the cold war would make the world easier to manage. "For all the talk about free markets and the spreading of American-style capitalism," said Jeffrey Garten, dean of the Yale School of Management and a former Under Secretary of Commerce, "the fact is that global finance has become the quintessential interweaving of public and private institutions, mechanisms and interests."

"And as we are seeing, governments and private markets cannot be unraveled in the real world."

Continued on Page 4

A thin line divides financial crisis from security risk.

loose nukes in Russia or Iraq's latest act of defiance. It has repeatedly been used lately to hash out America's next moves to contain the financial crisis in Asia. On that Friday in mid-December, the Secretary of State, Defense Secretary and national security adviser all took part in a debate over whether American taxpayer dollars should be committed to a redoubled effort to keep South Korea's private banks afloat — and over the consequences if the banks were simply allowed to go under.

"You could tell this was New Age foreign policy," one participant recalled later, "because the assessment didn't come from the C.I.A. It came from J. P. Morgan."

In its myriad dimensions — financial, political, and national security



Fiscal crisis, security risk: U.S. maneuvers in Korea.

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The New York Times

Sunday, January 4, 1998

Unlikely Twist: G.I.'s Warm to Bosnia

By MIKE O'CONNOR

OLOVO, Bosnia and Herzegovina, Dec. 30 — Staff Sgt. Paul Corrales noticed the elderly woman in black with the toddler when the two turned to watch his patrol from 50 feet or so away. The child waved a tiny, pink-mittened hand in greeting.

The sergeant, 34, is a specialist in armed reconnaissance who describes what his training entailed this way: "They tell us to go out and get information on the enemy so the main force can kill them." And that is what he is expected to do in Bosnia if the NATO-led peacekeeping mission deteriorates into combat.

But, with that pink mitten waving back and forth, his patrol stopped while the sergeant, laughing, ran over to grasp the child's hand.

"I'm doing what I'm doing for the kids here," he said afterward. "I think the Bosnians are the hardest working, most decent people I've ever seen."

The United States Army has worried about this sort of thing. Senior American officers in Bosnia spent much of the last two years telling their subordinates not to let soldiers get emotionally involved in what they were doing here. There was too high a risk that Western efforts would fail, the officers said, and if the soldiers cared too much about the country their morale might collapse along with the peace.

But it seems too late for such concerns. To a considerable extent, American forces have gone from dispassionate observers in a confusing land to soldiers who feel their job is to help people they now know and like.

Senior officers now say it may be better for the Army if the soldiers feel an emotional association with Bosnians.

Soldiers get constant reinforcement from Bosnians who tell them it is good that the Americans are here. Psychological screenings of soldiers leaving the danger, discomfort and loneliness of long tours in Bosnia find that the troops feel better about themselves and their jobs than the average American does, according to Army psychologists.

An immediate benefit for the Army is that soldiers who have been assigned to Bosnia are more likely to re-enlist than others, officers say. This year the re-enlistment rates for some Army units in Europe, from which most the soldiers in Bosnia have come, are more than 50 percent higher than their goals, the Army says.

In this town there was another statistic to note: The number of times per minute Bosnians smiled and greeted the American patrol.

As they walked the frozen streets at the bottom of a cup-shaped valley where the mountains, the pine trees and the sky were uniformly white with snow and haze, most of the American soldiers spoke optimistically of their work.

They did not dwell on the factories destroyed by shelling or the large number of refugees here who are barred from returning to their homes because the country remains splintered along ethnic lines. Instead, the men in this patrol noted the re-

built homes and hospital.

Their view of success comes in part from the limited view of their responsibilities expressed by the Army. Their orders do not include having them hunt down indicted war crimes suspects who still powerfully influence politics, although NATO troops are authorized to arrest suspects if security conditions allow. Nor are they supposed to insure that the victims of so-called ethnic cleansing return to their homes.

While a fractured Bosnia, brimful with the unemployed, the homeless and the angry and governed by politicians who will not work together, may yet blow apart, the soldiers are told their work is going well.

Many of the 4,500 American soldiers in Bosnia believe that since their deployment after the December 1995 Dayton accords, they have enforced a peace that is allowing civilian and international agencies to begin rebuilding a country many of them have come to like.

Walking next to the rebuilt Olovo hospital, fresh plaster on the outside and warm clinics filled with children and their mothers inside, Capt. Dan McIntosh, who commands an armored cavalry company, said: "Think of what that means to a community to lose its only hospital. And then, we help open it up. That is something. Our soldiers set the conditions for that."

The executive officer of Captain McIntosh's company, First Lieut. Daniel Fickel, 25, of Miami, said his father tells him that what he is doing in Bosnia now is similar to what his father did earlier in the Peace Corps.

"We're really helping people," Lieutenant Fickel said. "You can't send soldiers halfway around the world to save a country and then say don't get emotionally involved."

Though the American Army policy has been to insist all three ethnic groups — Serbs, Muslims and Croats — be treated exactly the same, many soldiers feel that the Muslims, who have the highest number of displaced in Bosnia now, suffered the most during the 1992-95 war. Nearly everyone in Bosnia is relieved the fighting has stopped, but Muslims are convinced the West stopped a war of annihilation that was directed against them, and probably feel especially appreciative toward the peacekeepers.

But with Western governments pressing Bosnian authorities to carry out terms of the peace agreement, there have been times when the NATO-led forces, including Americans, have met violence.

The worst case for the Americans was in August, when troops tried to install a more cooperative police commander in Brcko in the Bosnian Serb-controlled area and mobs organized by local Serbian authorities blocked the attempt. Civilians attacked American soldiers with stones and gasoline bombs.

Despite such incidents, relations between most Bosnians and American troops have been good.

In Olovo, a town named for the lead mined here since Roman times and now inhabited mostly by Muslims, Sergeant Corrales seems to have found a place he likes.

Displaying considerable knowledge of medieval Bosnian history, Sergeant Corrales, of Huber Heights, Ohio, pointed out a citadel-like building poking through the snow halfway up a mountain and explained that it was one of two centuries-old Roman Catholic monasteries in the area. He added that, based on his reading in the five months since he came here, he has come to doubt the theory that the recent fighting in Bosnia was an inevitable continuation of longstanding ethnic antagonisms.

It is easier now for soldiers to study history and become acquainted with Bosnians than it was in January 1996, when the American troops fought rain, blizzards and a churning Sava River to enter this country. Then, everything was arduous, everywhere was dangerous and living conditions were terrible.

But as political tensions have eased and the Army has become accustomed to working in Bosnia, the soldier's life here has improved.

Even so, soldiers raised questions that senior officers say trouble them as well.

"I think we are doing good, but it is taking a lot out of everyone," said Sgt. Sabrina Pinkard, a medical technician from Columbus, Ohio, who is based at Camp Gentry, a rather isolated base on the northern edge of the American sector.

Referring to the Army's downsizing and the increase in overseas deployments in recent years, she said, "If our unit keeps getting sent places, here or wherever, with no time to rest and catch up, we are going to wear out."

"She's right," said Pvt. David Quinn, also with the Second Cavalry Regiment. Thinking about the stress on soldiers who are separated from their families, he said, "We got our own trouble back home, too."

Soldiers say what makes them think their mission is worthwhile is the balance between the personal burden and the task at hand. In Bosnia, they are getting extra pay and bonuses. Many feel that are sharpening their military skills. And life on their bases, though still difficult, has become less uncomfortable.

At Camp Demi in north-central Bosnia, where the soldiers patrolling the town of Olovo are based, a dinner last week offered choices of 6 entrees including pretty tasty burritos, 6 vegetables, 12 kinds of salad and 8 desserts.

Talk around the base was about how the Army has settled in in Bosnia. The mission has gone from short and arduous to something of indefinite length that has become part of the Army's life.

Soldiers said they were not at all surprised by President Clinton's recent announcement that there is no longer a deadline to withdraw the troops from Bosnia. It seemed clear, many thought, that Bosnia was going to be an assignment to be rotated among combat units for some time.

"I guess it's going to be somewhere between like what we did in Haiti and what we're doing in Korea," said Specialist Jason Suddeth, 21 from Galosburg, Ill.

THE PRESIDENT HAS SEEN
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Deadly Bacteria a New Threat To Fruit and Produce in U.S.

AI

By CHRISTOPHER DREW and PAM BELLUCK

Continued From Page 1

Anna Grace Gimmestad, 16 months old, was just beginning to put her infant stamp on the world. She would parrot the whirr of a helicopter, pause on each stair step to kiss her parents through the banister.

And every time her mother wheeled her past the grocery-store cooler, she would point excitedly to her favorite: the colorful, fruity juices made by a California company, Odwalla, that promoted its products as some of the nation's freshest and healthiest.

To Christy and Chad Gimmestad, who live in Evans, Colo., these fresh-squeezed juices seemed natural and nutritious. But in late 1996, Anna became so ill after drinking Odwalla apple juice that, within two weeks, her kidneys gave out, part of her brain became clogged with dead

FRESH HAZARDS

First of three articles.

blood cells, her heart faltered and she died.

Health authorities say Anna's body collapsed so fast because the juice had been contaminated with an increasingly troublesome hazard in America's food system: a strain of bacteria known as E. coli O157:H7. The authorities say that while Odwalla was marketing its products as premium sources of nourishment, the fast-growing company had significant flaws in its safety practices — weaknesses that may have allowed tainted apples to contaminate some of its juice and caused 70 people to become sick.

Interviews with former Odwalla managers and company documents show that in the weeks before the outbreak, Odwalla began relaxing its standards on accepting blemished fruit and relying in the authority of its own safety officials, culminating in tense, dramatic moments on the morning of Oct. 7, 1996, the day the contaminated juice was pressed.

By these accounts, production managers brushed aside warnings from a young company inspector that a batch of apples was too rotten to use — some were highly decayed and one had a worm in it — without taking special precautions against contaminants. These issues are being examined by a Federal grand jury in Fresno, Calif., that could bring

criminal charges.

Odwalla officials acknowledge that their safety systems failed to keep out the E. coli, but they deny that the company took any undue risks and insist no lives were broken. Top company executives say that, like many others in their industry, they simply did not realize that E. coli O157:H7 could cause something as acidic as apple juice, and they still are not sure how to get it. Since the outbreak, Odwalla has begun pasteurizing many of its products, including apple juice, a sure-fire method of killing bacteria with heat.

What happened at Odwalla (pronounced ode-WALL-a) is more than just a tale of one company and a one-time breakdown in safety precautions. This case and similar outbreaks across the country illustrate one of the least understood new currents in food safety: this dangerous strain of E. coli has begun to infiltrate fresh fruit juices and vegetables, the very foods that Americans are buying more of to be healthy.

Since 1993, when hundreds of people got sick from undercooked hamburgers, the public has associated the biggest hazards with ground beef. Yet a small but growing portion of food-poisoning cases — some stunning in their severity — now arise from E. coli, salmonella and other pathogens in fresh juice and produce.

The nation's food supply remains one of the world's safest. But the emphasis on freshness and nutrition is placing a greater burden on companies to insure that their products are as free of harmful bacteria as other foods that have undergone processes like pasteurization. And while the food industry responds to the changing American palate with a jazzy array of new products, from exotic juices to convenient packs of fancy premixed salads, the Odwalla case shows how some growers and processors are failing to meet the rigorous safety standards needed to keep out dangerous pathogens.

It has also become clear that as more companies expand distribution of their products, unsanitary conditions in even the smallest corners of the industry can cause widespread harm. In another striking example, Federal and state health authorities say they believe a small lettuce producer — operating under conditions cited as blatantly unsanitary — was responsible for an outbreak of E. coli O157:H7 that sickened at least 61 people in Illinois, Connecticut and New York in May and June 1996.

After the outbreak, a team of investigators found that the lettuce had been washed and packaged less than 100 feet from a cattle pen. Although E. coli O157:H7 originates in animals and cattle (feces is the most common source), there were virtually no measures to protect the lettuce.

Until recently, the Government had shown little leadership in dealing with the problems, and there are deep flaws in the system that regulates much of the nation's

food industry. It is a patchwork of weak agencies and a lumbering Federal bureaucracy, centered at the Food and Drug Administration, that has focused more on reacting to outbreaks than on preventing them.

The F.D.A. is responsible for the safety of all foods except meat, poultry and eggs. But for an agency that must also regulate pharmaceutical drugs and medical devices, food has never been a high priority, and the F.D.A. has given little guidance to the industry.

In fact, the agency inspected Odwalla's plant just three months before the E. coli outbreak. But Government reports indicate its inspector focused on minor issues and missed signs that the company had failed to build the kind of safeguards that the F.D.A. now contends it should have had.

The emergence of this mysterious strain of E. coli points up how the food chain is becoming more vulnerable to microscopic threats. Millions of Americans suffer some sort of illness each year from something they eat. But Government officials say that less than 5 percent of food illnesses are ever reported to authorities, so they rely heavily on estimates.

All told, the Centers for Disease Control and Prevention estimates that E. coli O157:H7 infects as many as 20,000 Americans a year through meat, produce and other means and kills up to 500. It first began to appear in food in 1980, and the outbreaks have gotten more frequent. Since mid-1995, the C.D.C. has confirmed that more than 300 people had severe diarrhea and other illnesses in nine outbreaks of the E. coli in lettuce, alfalfa sprouts and fresh apple juice or cider.

But what alarms food experts is how devastating the E. coli can be, especially for children. In the Odwalla case, 14 children were hospitalized with a severe blood and kidney disorder, hemolytic uremic syndrome. Anna Gimmestad was the only one who died, but doctors say some of the others are likely to have permanent kidney damage and other lasting problems.

"The biggest problem in the food system right now is the new hazards like E. coli O157:H7," said Caroline Smith DeWaal, a consumer advocate in Washington. "And the most surprising thing is the number of outbreaks linked to fresh fruits and vegetables."

Food contamination, she added, "isn't just a stomachache anymore."

Dr. Michael A. Friedman, the acting commissioner of the Food and Drug Administration, agreed that the hazards are growing. Regulators need to be more vigilant and to be, honestly, more aggressive, he said.

Many food companies, especially the largest ones, have taken steps to improve safety, and the Clinton Administration recently unveiled several safety initiatives. The F.D.A. has begun to draft new rules for juice production, though it faces opposition from some juice and cider makers who maintain that unpasteurized products taste better and can still be made safely.

Odwalla now says it would never have sold unpasteurized apple juice if it had understood the dangers. "The bottom line is that you would have to say we failed," said Stephen C. Williamson, Odwalla's chief executive. "And those are hard words." Od-

Continued on Page 14

The New York Times

Sunday, January 4, 1998

1/3

Odwalla also criticized the roughly 1,500 companies, mostly farms and roadside operations that make fresh apple juice and cider, as falling to heed this lesson.

A close look at the Odwalla case shows there is little margin for error in dealing with fresh products. While Odwalla had told growers it wanted only tree-picked apples, the authorities suspect the bacteria got into its plant on decayed apples that had fallen on the ground and come into contact with feces, possibly from deer.

But former Odwalla managers see another lesson as well: the company, they say, was growing so rapidly that it did not pay enough attention to safety.

"In terms of safety, it could have been improved greatly if we had spent a little more time on it instead of just focusing on production," said Douglas A. Dobbs, a former company planning official.

The Backdrop

Quality Standards Vs. Production

Nearly all the giant juice companies, like Tropicana, and some midsized upstarts, like Nantucket Nectars, rely on pasteurization. Analysts estimate that 98 percent of the nation's juice goes through this process.

But when Odwalla's chairman, Greg A. Steltenpohl, started the company in 1980, he saw absolute freshness as his entrée into a highly competitive business.

Inspired by his father's habit of squeezing his own orange juice, Mr. Steltenpohl borrowed \$200 from a girlfriend, started making juice at home and delivered it to restaurants in Volkswagen vans. He took the name Odwalla from a character in a jazz song who guided the lost "people of the sun" out of the "gray haze."

Over the years, Odwalla worked hard to build up its brand name, and it now markets more than 20 flavors of juice, smoothies and vitamin-packed drinks in the West and Southwest. Mr. Steltenpohl kept the folksy philosophy, even as Odwalla became a public company in 1993 and its sales soared, to \$59 million in its 1996 fiscal year from \$9 million in 1991. It studied its labels with whimsical subtexts, gave its products names like Mo' Beta and Femme Vitale and threaded its mission statements with phrases like "Nourishing the Body Whole."

This approach created an enthusiastic following, particularly among professionals. It also turned Odwalla into one of the nation's largest fresh-juice companies, along with a few other regional outfits. And before the E. coli outbreak, Odwalla officials never considered pasteurization, fearing that it would kill nutrients and make their juices taste bland.

"If it's not fresh-squeezed, then it's not part of Odwalla — and that's truly the way we thought," Mr. Steltenpohl said at the company's headquarters in Half Moon Bay, a seaside town south of San Francisco.

But if a juice company does not pasteurize, it is placing a huge strain on the rest of its safety processes. Even the least harmful bacteria, like food-spoilage organisms, multiply so fast that they can render fresh juices undrinkable within a couple of weeks.

This means that the companies have to rely on several lines of defense, from sorting out bad fruit to washing the usable pieces with sanitizing chemicals.

Company documents reviewed by The New York Times show that Odwalla had been grappling with these problems since it opened a \$3 million plant in Dinuba, Calif., in 1993. Tests on samples of its juices then found high readings of general bacteria, yeast and mold that could cause them to spoil. A contractor later warned in a memorandum that Odwalla's citrus-processing equipment was so poorly maintained it was breeding bacteria in "black rotten crud" and "inoculating every drop of juice you make."

After customers complained of illnesses in early 1993, tests found low levels of *Bacteroides* monocytogenes, a pathogen that can harm pregnant women, in samples of Odwalla's apple and orange juice. Federal law bans the sale of any food or drink with this strain of *Listeria*. But Odwalla officials say the levels in the juice were far too low to cause any health risk.

Mr. Steltenpohl and Mr. Williamson said the company spent several million dollars over the last several years to upgrade plant equipment and install new safety devices, and it reduced the general bacterial counts to relatively low levels. "We thought we were doing a good job," Mr. Williamson said.

But in mid-1993, juice makers in Florida were hit by an outbreak of salmonella in orange juice served at Walt Disney World that sickened more than 60 children and adults.

The cause was odd: authorities believe the disease came from a toad that crawled onto a juice plant's processing equipment. But this was the first time that a toxic bacteria had been discovered in orange juice, and it shook much of the industry with the realization that pathogens could survive in highly acidic products.

Before this, there had been two small outbreaks of E. coli O157:H7 in fresh apple juice and cider made on farms in Canada in 1990 and Massachusetts in 1991. But the incidents had received little attention at Odwalla or in the industry, and even the C.D.C. suggested that such contamination was likely to occur at only the crudest operations.

After the Disney World outbreak, the State of Florida drafted new rules, which took effect in early 1996, that required larger fresh-juice companies to add more protections. The regulations prohibit using split or decayed fruit. They also require a two-step fruit-cleaning process, including both an acid-based detergent and chlorine.

As a California company, Odwalla was under no obligation to follow these rules, and few juice companies outside of Florida did.

But Odwalla had just hired two managers from the Florida juice industry. One of them, Dave Stevenson, who oversaw quality assurance as Odwalla's technical services director, contended that Odwalla should add a chlorine-rinse as a crucial backstop against bad fruit, company documents show. But Chip Bettie, a former Tropicana executive who became Odwalla's senior vice president, feared chlorine would leave an aftertaste and decided that only an acid wash was needed.

By the summer of 1996, as Odwalla's plant pushed hard to keep up with rapidly rising sales, some former company officials say production demands began to overshadow safety concerns.

At the end of August, Steve Kock, Odwalla's quality assurance manager, sent an E-mail to Mr. Bettie saying he planned to start testing for *Listeria* again.

But on Sept. 2, Mr. Bettie wrote back: "why are we doing it, why now, what do we want to PROVE... if the data is bad, what do we do about it. Once you create a body of data, it is subpoenaable."

Mr. Bettie declined to be interviewed. He said in a statement that he was mainly concerned that any testing be based on "a sound plan" to identify corrective measures.

Mr. Kock dropped the testing plan. And by mid-September, he asked to be relieved of his management duties, demoting himself, in effect, to a quality technician. Mr. Kock, who still works at Odwalla, did not return calls for comment.

But former associates said he had grown tired of battling with production officials over safety issues, like how often to sanitize the juice tanks. He was also concerned that Mr. Stevenson was leaving at the end of September to take a sales job with Odwalla in New Mexico.

In a company report on Oct. 4, Mr. Kock described how his department's authority was being cut back. "Philosophically," he wrote, "the department is moving towards

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an audit function as compared to one of controlling or policing."

The Crucial Day

A Plant Struggles With a Basic Tenet

Interviews and documents suggest that the tensions reached a climax three days later at Odwalla's plant, located about 200 miles from the company's headquarters in the main agricultural belt of Central California.

On the dispute that Oct. 7, 1996, was when the contaminated apple juice was made: the genetic markings on the E. coli in the victims' matched bacteria found in a product bottled that day. On that day, according to a new account provided to Federal investigators, production workers used decayed fruit over the objections of a quality-control inspector and resisted taking extra steps to weed out the rotten pieces.

So in the end, health authorities say, the E. coli outbreak may have occurred simply because the plant violated one of the most fundamental tenets of fresh juice production: Do not use rotten fruit.

The new account comes from Mr. Stevenson, who told investigators last month about the face-off between the quality inspector, Anita Velasquez, and production officials. According to people familiar with his account, Ms. Velasquez described this to Mr. Stevenson in early November 1996, shortly after health authorities had traced the first E. coli illnesses to Odwalla.

Mr. Stevenson had returned to the plant to help, and he asked Ms. Velasquez if anything unusual had happened. She responded, he told investigators, by relating the trouble she had run into on Oct. 7.

Ms. Velasquez then repeated that account, without citing that date, in a two-page handwritten note on Nov. 4, 1996.

In the note, Ms. Velasquez said that the disagreement with the production officials began on a Friday, when she saw "a couple of apple bins that had high decay." She added that she cut open one apple and found a worm in it.

Around this time, Odwalla had received several loads with poor-quality apples because of a seasonal switch from prized Washington fruit to less expensive California varieties. Company documents show that its policy was to stretch its standards for fruit quality at such times — and add extra sorters to pick out bad pieces.

While Odwalla often had accepted only loads in which no more than 5 percent of the fruit was defective, it had lifted that to 10 to 15 percent. In the three weeks before the bad juice was made, the documents show, some loads of apples came in with 25 to 30 percent defective fruit.

Ms. Velasquez wrote that on that Friday, she "didn't want to accept the rest of the bins" in the load. But her objection was overruled by an official who told her "we had to use them since we had the load here."

Ms. Velasquez wrote that the production staff used half of that load on Friday and decided to use the other half on Monday. That meant the apples would sit in a cooler for two days, and she was worried that bacteria would spread among them.

So she got the leader of the apple pressline to agree to assign three or four people on

Monday to sort out bad apples, instead of the usual one or two.

When Ms. Velasquez came in on Monday morning, she saw only one sorter picking out rotten apples as they rolled by to be pressed into juice. She also spotted 10 to 15 decayed apples that the sorter had missed.

She suggested slowing the line and was told a second sorter would be added. But when she checked 10 minutes later, there was still only one sorter, and she asked again to slow down the line. "At this point, everyone was upset at me," she wrote. She added that the tensions had risen this high "only because I wanted to reject it but couldn't due to higher power."

In her note, Ms. Velasquez did not indicate that she or the production officials took further action.

In a brief telephone interview, she said, "What I wrote is true." She said that she did not know if these problems were connected to the illnesses, but added, "It was an incident that happened at that time."

But Ms. Velasquez, who is being represented by a lawyer for Odwalla, declined to comment further. Chris Gallagher, an Odwalla spokesman, said Ms. Velasquez had told company lawyers that she could not recall the dates when the incidents occurred.

"Obviously, the 'Friday' and the 'Monday' could well be dates other than October 4 and 7," Mr. Gallagher wrote in a statement. "Indeed, there are a number of inconsistencies suggesting that the incident referred to in the memo may not have occurred over that precise weekend."

Mr. Gallagher said one inconsistency was that Odwalla's records indicate that the company used three sorters on the morning of Oct. 7. He also said that Ms. Velasquez had told company lawyers that on the day she described, she ended up halting the production line until extra sorters were added.

"This is an indication of good quality management, not a failure," Mr. Gallagher wrote.

But Federal and state inspection reports confirm that the company used apples from two loads with relatively high defect levels on the day the tainted juice was made. Moreover, Warren Hayes, a former Odwalla production supervisor, said there may have been a similar incident that day. Mr. Hayes said a production team leader told him that he had objected to using rotten fruit but others had "made the decision to run it."

Mr. Hayes added: "Generally if it's that bad, you shouldn't be running it."

The Reaction

A Broad Debate Over Safety Rules

Right after the outbreak, new regulatory inspections also found other flaws in Odwalla's safety programs. And the problems at Odwalla have since sparked a broad debate

over what rules are needed to insure the safety of fresh juices and cider.

The F.D.A. cited Odwalla for having an "inadequate" program to test for food-poisoning bacteria. Odwalla's chemical supplier said the brand of acid wash Odwalla was using had killed all the E. coli O157:H7 in only 8 percent of lab tests and should not have been used without chlorine.

And while Odwalla now has one of the most extensive bacteria-testing programs in the industry and has expanded its fruit-washing, it also has become one of the most vigorous champions of a solution it once disdained: pasteurization.

The company hired safety consultants, then identified every point where bacteria could slip in and devised measures to kill them. This systematic approach, known as a Hazard Analysis Critical Control Point plan, is what Federal regulators are starting to require as the best answer to the new threats in other types of foods, from seafood to meat. The F.D.A. said it would draft a similar rule for juices.

With apples, where the skin gets mashed right into the juice, Odwalla says this has inevitably meant a shift to pasteurization. But given that orange juice can be extracted without touching the rind, Odwalla's tests show it is still safe to sell it without pasteurizing.

But a bitter debate is shaping up. Many doctors now caution against giving children fresh apple juice or cider, and small cider makers fear that more regulations could put them out of business. Other companies think the F.D.A.'s move will lead to pressure to pasteurize all fresh juices. And they say this is too sweeping a conclusion to draw from Odwalla's failure.

"The perception I've got is that it was just a breakdown in good manufacturing practices," said Marc Isaacs, co-chairman of the American Fresh Juice Council.

But Mr. Williamson, Odwalla's chief executive, said his company has "a more sensitive perspective on safety" than it used to. He added: "Having Anna die was unquestionably an horrifically awful, terrible thing to go through. You can't imagine worse."

Next to Anna Gimmestad, 4-year-old Amanda Berman was perhaps the child most severely injured by Odwalla's apple juice. She drank it at a Starbucks in Seattle and was catapulted into a maze of medical tubes and machines — 17 days of kidney dialysis, vomiting and blood transfusions. After her illness, she had trouble sleeping for months.

The Bermans are suing Odwalla, which has paid an undisclosed sum to the Gimmestads and settled 5 of 10 lawsuits by other victims.

For most of these families, the big worry is that their children will experience problems as they grow older. Of the children who got hemolytic uremic syndrome in the 1993 E. coli outbreak involving hamburgers, some developed diabetes, and one has needed a kidney transplant.

"You just got to wait and see," said Amanda's father, Adam.

NEXT: Tracing a three-state food poisoning outbreak to one small lettuce producer.

THE PRESIDENT HAS SEEN

1-5-98

THE PRESIDENT HAS SEEN

December 23, 1997

1-5-98

EB ~~XXX~~
W's dinner Monday
BK

MEMORANDUM

To: The President

From: Nancy Hernreich
Justin Coleman

Re: Memo from Howard Paster

Howard Paster urges you to renew your efforts for broad "fast track" legislation. He recommends against any fundamental change in legislation, but suggests that modest changes can be made to change some votes. It is preferable, he says, to secure votes in blocs rather than individuals. When individual persuasion is necessary, deal with them on other issues and don't compromise on fast track.

He recommends your active, personal involvement starting with the State of the Union, putting fast track in the context of the domestic economy and the benefits of past trade policies. He also urges you provide strong direction and deadlines, a specific schedule following the State of the Union and a more through plan for the Vice President and the Cabinet.

Finally, he recommends that when considering possible staff replacements, ask "what" you want to accomplish before answering the "who."

In addition, he sends holiday wishes to you, Hillary, and Chelsea.

copied
Hernreich
Bowles

A handwritten signature in black ink, appearing to read "Howard Paster", is located in the top right corner of the document.

TO: Betty Currie

FROM: Howard Paster

DATE: December 17, 1997

Four pages in total

I would be grateful if you could pass this along to The President.

Best to you and your family for a happy holiday and a healthy new year.

THE PRESIDENT HAS SEEN

1-5-98

MEMORANDUM FOR: THE PRESIDENT
FROM: Howard Paster *HP*
DATE: December 17, 1997
SUBJECT: Trade Legislation

Mr. President, on the few occasions I have written to you since leaving the staff you have responded in your usual gracious manner and invited me to remain in touch with you on issues of concern. I hope you do not mind my doing so at this time with respect to trade legislation.

Specifically, I want to urge you to renew the effort for broad "fast track" legislation, including your direct personal involvement with the goal of enactment before Santiago. I believe this can be done, and I believe it is important to sustaining your substantial, indeed historical, success on trade liberalization, and the United States's unique position in global commerce.

Since it was necessary to pull fast track from the House floor I have been abroad twice, first to Europe and more recently to Asia from which I returned this past weekend. This is part of a pattern by which I make 10 to 12 foreign trips a year. Typically as I travel, people in business and government want to talk about U.S. trade policy. And typically wherever I go I encounter a range of views toward the U.S. But normally those views do not question the leadership position of the U.S.

But on these last two trips there was great anxiety about whether or not the fate of fast track signals a fundamental change in U.S. attitudes. While it is easy to explain why people should not overreact to the withdrawal of fast track, the harsh reality is that the absence of fast track is a real problem. I will defer to the experts about the extent to which the absence of fast track will actually prevent us from reaching desirable trade agreements, but I am convinced that not passing fast track will have a lasting impact on how our trading partners deal with us. Perhaps we are guilty of having created this perception about the importance of fast track. But whatever the source, the perception is there.

THE PRESIDENT HAS SEEN

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Memorandum for The President

December 17, 1997

Page Two

While I do not have all the specifics of the final days of the legislative battle this fall, I do know enough to believe it is possible to bring fast track back, and to pass it. My views include the following assumptions:

- It is important to resist fundamental changes in the legislation, i.e. no sectoral or geographic limitations, nor environmental or labor amendments that alienate those who have been with the Administration.
- Yet some more modest modification in the legislation is needed to give cover to those whose votes need to be changed.
- It is far preferable to try to secure votes in blocs, i.e. agriculture, BRT to recalcitrant Republicans, etc., than to try to do it one vote at a time.
- Where individuals can be switched one by one it is better to deal with them with respect to other issues with which they are concerned, since making fast track changes for individual votes will set off a whole new round of horse-trading from the Hill. Individual deals should be reached by your agents, from the Administration or on the Hill, and not by you personally.
- However, you should be personally active addressing the need to pass the legislation, reaching back to and repeating as often as necessary your best lines about the link between trade liberalization and optimism for America's future. An appropriate place to start would be the State of the Union, and specifically in the context of the domestic economy and the benefits we have secured from the trade policies of your Administration.
- You will need, if this is to be done, to provide strong direction and to set deadlines; we cannot kid ourselves about the ambivalence on this issue among people who work for you.
- A specific schedule from the State of the Union through a late March vote needs to be planned, including the use of your time and that of the entire Administration. One essential non-Washington appearance by you should be tied to agricultural exports. But a more thorough plan for you, the Vice President and the Cabinet is needed.

Memorandum for the President
December 17, 1997
Page Three

Mr. President, this can be done, and if it is done correctly it will not only reassert your historical position on this issue, it will provide enormous impetus to recharging the Administration for the remaining three years of your Presidency.

Obviously, I stand ready to help in any way possible.

(Since I am writing, permit me to add a note on an unrelated issue. I have heard and read so much about "who" might end up in key White House staff positions if rumored departures come to pass. Let me suggest that before one asks "who" should fill what position it would be more helpful to ask "what" it is you want to accomplish in the next three years. A clear answer on the "what" ought to inform a decision on "who.")

My best to you, Mrs. Clinton and Chelsea for a happy holiday and healthy New Year.

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HENRY G. CISNEROS
PRESIDENT

THE PRESIDENT HAS SEEN
1-5-98

To: President Clinton
From: Henry Cisneros *Henry Cisneros*
Subject: Ideas for the President's State of the Union Address
as Requested by Michael Waldman
Date: December 19, 1997



1. Beginning on January 21st, Pope John Paul II will be visiting Cuba. The visit will be an important worldwide news story and will be interpreted as having the potential to create a new opening in Cuba. The world press story lines will include the following:

- One of the last great dramas of the Cold War – Communism vs. the Catholic Church – is being played out.
- The Pope's call for freedom will echo his role in the unraveling of Polish and Eastern European Communist regimes.
- Castro's risk-taking in inviting the Pope may signal a new readiness for dialogue and openness which should be pursued.
- Despite the stark nature of their disagreements on matters of freedoms and human liberties, the Pope and Castro share common priorities for social justice and humanitarian assistance, issues which the Pope is likely to address.
- The irresistibility to Cuban-Americans of returning to Cuba to witness this convergence of their Catholic faith and love of homeland has resulted in about 15,000 Cuban-Americans – many of whom swore they would never return to Cuba until Castro was removed – seeking visas and planning to be present for the Pope's visit.

I would argue that the you can creatively embrace the spirit of opening and advance the fact of opening by appropriate remarks in the State of the Union Address. My argument is based on the following logic:

- a) The possibilities for civil dialogue about steps toward opening Cuba will be fresh on the minds of Americans and people around the world.

THE PRESIDENT HAS SEEN

1-5-98

- b) The case for modifying the embargo to allow medicine, food, and humanitarian imports is gaining adherents, including many Cuban-Americans who still have families in Cuba. There is specific legislation now before the Congress to modify the embargo to allow humanitarian products.
 - c) The constituency for a political middle ground is growing in the Cuban-American community. There is a changing alignment of political forces and a growing middle ground among Cuban-Americans who see humanitarian aid as a possible consensus position in the debate about the embargo.
- ✓) As we think of the "big picture changes" that you can create or oversee in the next three years, it is hard to imagine anything more powerful than actually "opening" Cuba over the next several years. The actual transformation of this remaining "sore spot in our own backyard" before the end of the century would surely qualify as a major legacy of the your foreign policy stewardship. It is within reach, even with Castro alive.

In the State of the Union Address you can speak in general terms about encouraging steps to explore the new potential for opening Cuba or speak more concretely in support of the pending legislation on humanitarian assistance. You can also lay out a larger vision of Cuba's transition to democracy and human freedoms and explain what the U.S. would be willing to do in response to specific positive actions by Cuba. You can call on Castro personally to put Cuba on the right side of history in the governing time that remains for him, thereby cementing his own historic role rather than being portrayed by history as the last intransigent obstacle standing against the inevitable transition to democratic institution. It could be a very powerful statement that seizes the moment created by the Pope's visit and spurs accelerated openings which can later be traced to your sense of timing and decisive action.

1-5-98

Yellowstone Wolves and Diversity

In nature as in culture, diversity can be a difficult concept. Understanding it is one thing, accepting it another, especially when diversity means not only acknowledging a pre-existing cornucopia of difference — the very amplexity of the world — but also accommodating an adjustment to the status quo. A case in point is the reintroduction of gray wolves in Yellowstone National Park. Thirty-three wolves were released in 1995, and their number has now reached 87. Population expansion is one measure of the wolf program's success, but a better one is the wolves' impact on the natural diversity of the park.

As John Varley, the park's chief scientist, put it, the Yellowstone wolves "can create an elk carcass whenever they want." Typically, a pack kills an elk every few days. But over the remains the wolves abandon, a wonderful new diversity has emerged. Since their arrival, wolves have killed many of the park's coyotes. This has created — or rather reopened — new niches for other predators, which have begun to gather in greater numbers over wolf-killed elk carcasses. The reduction in coyotes has caused an increase in rodents, which also benefits a wide array of predators. Even the coyotes who live at the margins of wolf country have prospered, thanks to the leftovers the wolves leave behind. So do grizzly bears, who feed on wolf-killed elk before beginning hibernation. The benefit wolves bestow on

grizzlies may turn out to be the most exciting news of all.

What has interested scientists is the swiftness, the dynamism, of this shift in diversity. There has been, however, no matching dynamism in the opinions of humans who oppose the wolf reintroduction. That was made plain by a Federal district judge's recent order to "remove" the wolves, the result of litigation that is the offspring of intransigence. Several livestock groups, including the Wyoming Farm Bureau, had filed a suit that urged, in slightly cleverer terms, the old proposition, no wolves, no how. Several environmental groups had filed a separate lawsuit — unconnected to the Yellowstone wolves — protesting the dropping of legal protections for wolves that were recolonizing Idaho. The two suits were unfortunately merged.

Though Judge William Downes stayed his own decision, pending appeal, his judgment is a sad encouragement to the mistaken defensiveness of livestock groups who purport to represent the interests of most ranchers. It is also a misapprehension of the purpose of the environmentalists' suit. His decision needs to be swiftly and decisively overturned on appeal. It is no exaggeration to say that since the return of the wolves, Yellowstone has witnessed an economics of diversity from which human culture — including the culture of ranching — can directly profit, if only it chooses to do so.

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Topics of The Times

A Moral Fable In the Wee Hours

We were intrigued to learn that Mayor Rudolph Giuliani ordered a post-midnight showing of "The Godfather" as part of the New Year's festivities in Times Square. The decision speaks for his Honor's cinematic taste and political broad-mindedness. We can imagine some of his Italian-American constituents being uncomfortable with his celebration of this Mafia fable.

But as Mr. Giuliani knows, the film is really a moral fable about America that operates on several levels. As symbolized by its poster showing a hand operating a string puppet, the film is a celebration of individual will in the corporate state. Don Vito Corleone explained to his son and heir Michael that he refused to dance for an establishment that he knew to be as corrupt as it was powerful. In "Godfather" sociology, the Corleone crime family was an analogue to so-called legitimate business. It operated outside the law because immigrants were frozen out of the legal game.

But we hope that this Mayor, standing between Giuliani I and Giuliani II, remembers some other themes of his favorite film and its sequel. In "Godfather I," for example, there is a moment when, in the midst of his mourning, the old man concedes that his oldest child and temporary successor, Sonny, had been a "bad don." Sonny's falling

was a hot temper, which might bear contemplation by someone whose fuse is as short as the Mayor's.

That brings to mind what we learned about Don Vito's permanent successor, Michael, in "Godfather II." He was a man of great talent who drove away his allies through rigidity and hubris. Hey, maybe a double feature wouldn't have hurt.

007 Won't Take American Express

Now that the trademark movie-related lunch boxes, dolls, sunglasses, albums and anything else creative minds can think of has become a multibillion-dollar industry, it is probably only a matter of time before Hollywood bestows an Oscar on the most brazen movie tie-in product. One formidable nominee debuts tomorrow, when the Bank of Scotland introduces a James Bond Visa card.

The card, which has the famous silhouette of Bond with dinner jacket and raised gun at its center and the logo "007" and pointed gun on its side, has no formal affiliation with the latest Bond movie now playing. The Bank of Scotland, which markets about 400 different cards and has had great success with a Star Trek card, is simply piggybacking on existing buzz. Unlike its cards associated with charities or companies, the 007 card offers nothing extra to the user and no discount on vodka, BMW's,

cummerbunds or lethal bowler hats. "It's a life-style card that says something about you," says a Bank of Scotland spokesman.

Movie tie-ins are nothing new. Decades ago, those inclined could buy "The Wizard of Oz" coloring books, Shirley Temple dolls and, of course, hats with mouse ears. Ten years ago, at the dawn of the tie-in explosion, movie tie-ins were still aimed almost exclusively at kids. Today's movies have given birth to lines of fresh and frozen Bubba Gump shrimp and an entire pro hockey team, the Anaheim Mighty Ducks. Companies fight to get their products seen in movies and then use the movies in their ads. Movies sell millions of sound-track albums, often full of songs not played in the film, and are powerful marketers of the books they were based on. This can be a boon to literature, making Jane Austen or "The English Patient" into a hot property. We should remember, however, that Penguin also shipped 135,000 copies of "The Bodyguard."

The new Bond film is a particularly egregious example of adult tie-ins. It has spawned related ad campaigns by eight companies, from BMW to Omega watches to L'Oréal, which sells a "Bond Bordeaux" lipstick. The power of movies to make Americans want almost anything is a life-style thing that says something about us. Someday, our epoch will be defined in part by the fact that we bought boxes of "Bill and Ted's Excellent Cereal — A Most Awesome Breakfast Adventure."

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VP
Bowles

The New York Times

Sunday, January 4, 1998

~~Rahm Doug Begala~~
~~Smiley CB~~

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War of the Opposites

Republicans are much more tidy than Democrats, who are publicly messy. Republicans are ordered and predictable, while Democrats are chaotic and erratic. Democrats scorn authority, and Republicans respect authority.

Such outrageous generalizations demand proof, which is to be found in each party's nominating history in the past 10 presidential elections, from 1960 through 1996.

In every one of these 10 campaigns, a full year before the nominating convention, the Republicans had a front-running candidate who, according to the Gallup poll, led all other challengers for the nomination. In every one of these 10 campaigns, the GOP gave its presidential nomination to the front-runner.

By contrast, only twice in those 10 elections did the Democrats nominate for president the candidate who was leading their field a year before the party's convention. In August 1950, Sen. John F. Kennedy led Adlai E. Stevenson for the 1960 nomination by 29 percent to 23 percent, according to Gallup, and in the summer of 1995, President Bill Clinton was the sole Democratic candidate in the 1996 field. In 1967, President Lyndon Johnson was the choice to win the 1968 Democratic nomination, which went to Vice President Hubert Humphrey.

Four years later, the Democrats' front-runner was the senator from Maine, Edmund S. Muskie, who lost the nomination to South Dakota Sen. George McGovern, who, surprisingly, remained the first choice to be the 1976 Democratic standard bearer, according to the Gallup survey conducted in August 1975. In that same 1975 Gallup poll, the

eventual nominee and winner, former Georgia governor Jimmy Carter, was running fourth, with just 7 percent of the vote, behind both Alabama Gov. George Wallace and Hubert Humphrey. By August 1979, President Jimmy Carter trailed Sen. Edward Kennedy in a matchup for the 1980 nomination by 50 percent to 28 percent.

Carter beat Kennedy but lost to Republican Ronald Reagan. In the summer of 1983, Kennedy remained the first choice for the 1984 Democratic prize over former vice president and eventual nominee Walter Mondale. By August 1987, the Democratic leader with 28 percent was former Colorado senator Gary Hart, trailed by Jesse Jackson, and in third place with just 10 percent was Massachusetts Gov. Michael Dukakis.

Every pollster's mantra goes like this: A poll is just a snapshot of the electorate at a moment in time and not capable of predicting the future. The August 1991 Gallup survey proved that to be true. New York Gov. Mario Cuomo was first with 22 percent followed by Jesse Jackson, Texas Sen. Lloyd Bentsen and, in fourth place, the pick of just 6 percent, was Arkansas's young Gov. Bill Clinton.

Every Republican presidential nominee—Richard Nixon (three times), Barry Goldwater, Gerald Ford, Ronald Reagan (twice), George Bush and Bob Dole—was the Gallup front-runner a year before the convention that was to nominate each of them.

Why are Republicans more tidy, more predictable and more methodical than Democrats? For the answer to this and other questions, we turn to two respected party strategists and pollsters, Republican Bill McInturff and Democrat Fred

Yang. In separate interviews, each man used identical language to describe the Republican Party as "more hierarchical," with its members showing a respect for established authority in their voting support.

Bill McInturff recalls hearing the GOP country chairman say in 1988 of George Bush and in 1996 of Bob Dole (and of Republican primary voters agreeing), "It's his turn." Longtime loyalty to the party is rewarded by Republican primary voters who take their cues from party leaders. According to McInturff, "If [Democratic Vice President] Al Gore had his [current polling] numbers on the Republican side, he would simply be without question the presidential nominee."

But to Gore's regret, the Democratic Party is different, once bluntly described by former House speaker Jim Wright as "a mixture, an amalgam, a mosaic, call it a fruitcake." In Fred Yang's judgment, Democrats are "less respectful of authority" and belong to a party with "too many centers of authority." With refreshing candor, Yang states, "Republicans are more organized around ideas and we [Democrats] are more organized around interests—with labor, the environment, gay and feminist issues, and liberals."

What does this mean for 2000? For the first time in more than half a century, Republicans are without a front-runner. The GOP clearly misses the comfort of regular order and automatic promotions. Democrats who have treated their front-runners with minimal respect and next to no deference already have an overwhelming favorite for 2000. It should be a terrific fight.

The Washington Post

SUNDAY, JANUARY 4, 1998

Most true
didn't know
until 1996

The answer
is to organize
around ideas
respect for
authority

In Africa's Harsh Climate, Fruits of Democracy

By HOWARD W. FRENCH

WHEN this country's National Assembly met recently to consider the Government's proposed budget for 1998, members of the opposition Republican Rally voted unanimously against the bill.

The Republicans' seemingly token opposition fell short of blocking the Government's spending plans. But it wasn't in vain. As time passed, the objections helped to force an increasingly public debate over how heads of state should be allowed to use public money.

The bill had, in fact, granted sweeping powers to the Presidency in the use of a large new budget item — called a fund for action and intervention — and this is what the opposition had most objected to.

The country's independent media picked up on the point right away, and incorporated it into their regular calls for greater accountability from the nation's leaders. Soon the country's President, Henri Konan Bédié, gave a long interview in the Government daily, *Fraternité Matin*, in which he sounded defensive as he argued for public spending on improvements in his village, including the creation of a new hotel, which he said were required to help him carry out his official functions.

The experience serves as a lesson in the usefulness and practicality of democracy in developing countries.

Despair Is Tempting

Because political institutions in these countries are often fragile and solidarity across ethnic lines weak, the value of democracy has been much questioned lately — and nowhere more than in sub-Saharan Africa, where elections have often been deeply flawed or stolen outright, or have served as a spark for violence.

Despair about democracy is a tempting lesson to be drawn from televised images of such travails. Witness a recent article in *The Atlantic Monthly* in which the

journalist Robert Kaplan decries "our often moralistic attempts to impose Western parliamentary systems on other countries." Likening this to "the attempts of Western colonialists — many of whom were equally idealistic — to replace well-functioning chieftancy and tribal patronage systems with foreign administrative practices."

That similar thinking has made inroads in senior American foreign policy circles was in evidence last month on Secretary of State Madeleine K. Albright's first tour of Africa. The countries she chose to visit, led by what she praised as a "new generation" of African

Where it is allowed, free expression has served to limit abuses of power.

leaders, were conspicuously undemocratic. And if democracy boosting was once a prominent feature of American statesmanship, in Africa the new style was the soft shoe.

Many Africans say they are shocked at the dwindling Western backing for democratic change, which comes just as such ideals have begun to make serious inroads. Ultimately, democracy can only work when it flows from the culture that seeks to apply it, Africans freely acknowledge. But this, they say, does not preclude vital outside support.

The changes in the way much business has been conducted in Ivory Coast in the seven years since multi-party politics began here can be a reminder to doubters of the potential impact of effective pluralism.

Only 18 years ago, another Ivorian President, Félix Houphouët-Boigny, was undertaking public works in his village too, which he wanted to make the country's capital. The difference is that before restrictions on the

press were lifted, before opposition parties were allowed to organize openly, and especially before they began to win political office, there was no way to publicly question the President's choices for his country.

The late President's birthplace, Yamoussoukro, has become a spectacular example of the kind of autocracy that was then rampant on this continent. Broad, empty avenues lead to the world's largest church, which gleams through sun and rain, a monument to Mr. Houphouët-Boigny's unchecked whims in an area where animists and Muslims far outnumber Roman Catholics.

The cost for this structure alone has been estimated at \$150 million, but because there was no democracy then, nor any of the accountability that it helps assure, it is likely that no one will ever know the real numbers.

What is known is that Mr. Houphouët-Boigny's system of government, which in its day some likened to "well-functioning chieftancy and tribal patronage systems," left this country with one of the world's highest levels of indebtedness and huge unmet needs in such areas as education, housing and simple health care.

The mere holding of elections is, of course, no guarantee that good leaders will come out on top, or that good governance will follow. Zambia, where Frederick Chiluba, a longtime trade union activist, defeated Kenneth Kaunda, an incumbent of 27 years, in that country's first democratic election in 1991, serves as an example.

Rather than being the liberal renovator that many had expected, Mr. Chiluba has made a travesty of the very democratic process that helped him win power, jailing opponents — including Mr. Kaunda — attacking the free press and reportedly turning a blind eye to rampant official corruption.

Then there is Kenya, which made a hash last week of its elections — perhaps deliberately, and ultimately perhaps explosively. It is in countries like this that many Africans believe the West could play its most useful role, by not only insisting on fair elections but by providing the technical help needed to pull them off.

Wherever democracy has been given a chance to take root, going beyond the simple process of selecting

winners and losers, it has begun to make profound changes in the lives of the countries involved.

Mali, for example, despite flawed electoral procedures and constant bickering between the executive and opposition, has now had six years of democratic practice. And the idea of people peacefully moving in and out of the Presidency — a near-revolutionary concept on a continent where leaders have habitually sought to perpetuate their rule, almost always to ruinous effect — is now universally acknowledged there.

Questioning the Leaders

President Alpha Omar Konaré has signaled a determination to quit politics and return to academic life at the end of his second term, four years from now. In seeking to make its democracy come alive for the poor and illiterate rural masses, Mali has also instituted a public forum, held once a year, in which citizens from all walks of life are allowed to question the country's leaders on any subject. The proceedings are broadcast live, and listenership is nearly universal.

Far from shrinking at the thought of "imposing" democracy on African countries, the West might realize that in the 1990's, unlike the independence era 40 years ago, when brand-new African countries inherited Western-style constitutions but little in the way of Western education or expertise, the push for democracy in Africa is home-grown and comes from the ground up. And many Africans are looking to the West to take the side of democratic principles rather than reflexively backing the next generation of autocrats that Paris or Washington has grown cozy with.

"Forty years of failed dictatorships have taught Africans that the best way to move our countries forward is to try and have clear rules that apply equally to everybody," said Jean-Baptiste Placca, editor in chief of *L'Afrique*, a Paris weekly. "These are democratic principles that are dear to America, and the best way for America to insure its interests in Africa is not to compromise them."

THE PRESIDENT WAS SEEN

1-5-98

The New York Times

Sunday, January 4, 1998

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fragile thrust of this piece —
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The Cult of Personality and Pipe Dreams

By ALAN FEUER

S TAND on any street corner in this low-rise Central Asian town and you cannot miss the jowly, well-fed face of Saparmurad A. Niyazov.

Hanging from posters, sculpted into busts, and glorified in mini-shrines at airports, banks and most hotels, the image of the Turkmen President, or Turkmenbashi (Leader of All Turkmen) as he calls himself, is absolutely everywhere you turn.

Want to buy some bread? Mr. Niyazov is with you. His image graces each denomination of Turkmen currency.

Planning to visit the countryside? Mr. Niyazov is there. Since winning the presi-



A Turkmen woman walks on a path near a new mosque north of Ashgabat.

dency unopposed in 1992, he has renamed a host of villages and towns in this former Soviet republic after himself.

Such cults have long been a standard item in the dictatorial bag of tricks, of course, and the Soviets were experts at using them once Stalin pretty much defined the genre.

But if Mr. Niyazov's self-promotion resembles Stalin's, his message is different; rather than promising his people a life of proletarian virtue enforced through state terror, he tries to paint himself as an economic miracle-maker, à la Lee Kuan Yew, Senior Minister of Singapore. His promise is that he will deliver consumer buying power in exchange for a recognition that he is the boss in a less-than-democratic state.

Turkmenistan, which lies on the eastern shore of the Caspian Sea, sandwiched between Iran to the south and Kazakhstan and Uzbekistan to the north, boasts the world's third-largest reserves of natural gas. President Niyazov has boasted he will use this wealth to put a Mercedes in the driveway of every newly-wed couple.

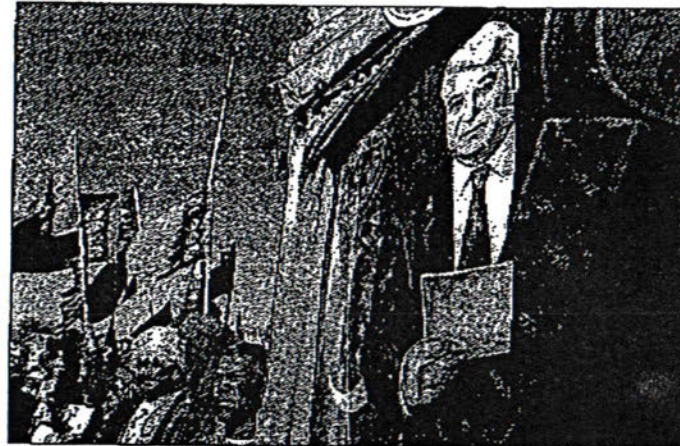
It is this dream of turning his country into Central Asia's first tiger economy that separates Mr. Niyazov from his Communist past and qualifies him as a new breed: the former party hack as business titan, the apparatchik dressed in bankers' grays.

Unfortunately for Mr. Niyazov, Turkmenistan is no Singapore. Geography has denied him Singapore's ease of access to Western markets. And his fragile economy is far less established than Singapore's well-oiled machine.

Promise Keeper

But Mr. Niyazov may be able to deliver on one promise — parity with the Asian tigers — sooner than he or anyone else might have liked. The tiger economies aren't what they used to be, as economic crisis eats away at almost all of their reputations, Singapore's excluded (at least until now).

Mr. Niyazov already has built an autocratic brand of capitalism. And it is already



Turkmenistan's leader can be hard to ignore at Independence Day celebrations.

struggling to stay afloat, just like Thailand's or South Korea's, without ever having gone through the Pacific rim's middle stage of enormous prosperity.

In the early 1990's, Turkmenistan was doing a bit better, earning close to \$1 billion a year by exporting gas to the Russians and their former allies. But the deal turned sour in 1993, American energy officials say, when Russia closed down Turkmenistan's only pipeline to Eastern Europe.

It had the terrible effect of forcing Niyazov to export only to his neighbor countries, countries that couldn't pay the bills," said an official from the State Department. These beleaguered Central Asian states were incapable of paying for new deliveries, and already had left \$1 billion in past deliveries unpaid, the official said.

Last week, Turkmenistan took a step toward addressing the problem by opening a pipeline to Iran that could eventually link up

with other pipelines to let gas from the Caspian region reach Europe through Turkey.

But even that step poses major new problems: It offends the United States, which wants any new routes for Caspian Sea gas to avoid Iran. Furthermore, it won't bring Turkmenistan profits for at least a year, because Iran financed the pipeline and has to be repaid first.

Compounding the financial difficulties is Mr. Niyazov himself, whose centralized control of the economy and capricious habit of firing his own trade ministers has scared away potential investors.

Selling the Salesman

So with his proudest efforts to attract foreign capital stymied, Mr. Niyazov has been forced to consider the difficult problem of how to create a tiger economy when the



day of tigers seems to have passed.

"This cult of personality is a direct result of the President's own failed economic programs," said David Nissem, an adjunct professor of Central Asian history at Georgetown University in Washington.

In other words, without a clear way to reach his vision of a happy consumerist future, Mr. Niyazov has decided instead to sell that vision — and himself — through a bizarre collection of consumer goods.

Niyazov alphabet charts for children are sold by the dozens in every store. Calendars and wristwatches, each graced with the President's face, are sold beside them.

Perhaps the strangest manifestation of Mr. Niyazov's zeal are the slim paperback volumes published each time he travels abroad. This Hardy Boys-like series with titles such as "Turkmenbashi Goes to Egypt" is chock-full of juicy governmental tidbits about the latest deals and treaties Mr. Niyazov has signed. A special ministry exists to craft the pamphlets. Nearly 2,000 have been written to date.

All of which has conspired to turn Mr. Niyazov into something like a Turkmen version of the Wizard of Oz, a harried man propped up by his own image machine. "There's no real reverence among the common people for Turkmenbashi. There's not a groundswell of popular support," the official from the State Department said. Referring to the artisans who spend days painting portraits of their leader, the official added, "People have just realized that this is what they have to do to survive."

The New York Times

Sunday, January 4, 1998

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Morton I. Abramowitz

Asia: Look Out for More Surprises

When the year 2000 rolls around, it won't be the start of the much-heralded "Pacific" Century. One day perhaps. Right now the focus is on stopping Asia's financial paroxysms, which continue in Korea and Southeast Asia, while Japan—which needs no bailout—is shaking. Asia's woes are generating badly needed domestic economic reform, but they are also puncturing dreams and, most important, changing domestic politics.

The Asian tigers compressed a century into a generation. They achieved economically in 30 years what took the United States a hundred years or so, including defaults, depressions and other events we have forgotten, creating among the cognoscenti and many Asians a belief in the dawn of the Pacific Century. But Asia's economies ran ahead of their political and institutional growth, and aspirations to regionalism ran ahead of their development as nation states.

Economic disaster will exacerbate the already growing tension between authoritarianism and "order" vs. pluralism and political freedom. Authoritarianism is less and less "the Asian way." New political leaders are emerging. President Kim Young Sam of Korea and Prime Minister Chavalit of Thailand are the past. Japanese Prime Minister Hashimoto has not delivered, and he barely survives, probably because the job of prime minister is now too unappealing to other leading members of his party. However great their contribution to their countries' prosperity, Malaysian Prime Minister Mahathir and Indonesian President Suharto are increasingly seen as the problem and not the solution.

With unhappy, better-informed publics in many Asian countries, new (and old) leaders will face difficulties maintaining political support and in certain cases incendiary domestic situations. Democratic elections, however desirable, may not bring much help, certainly in the short term. It is ironic that an imaginative democratic leader such as Korea's newly elected President Kim Dae Jung, who wanted to focus on North-South problems, has to deal with the massive problem of no foreign exchange and a distraught and deeply shamed public.

Democracy in Thailand in the past decade has grown, but it has also produced more corrupt civilian governments than the periodic military ones. Maybe the new constitution and a period of stress or stringency will change the system. Japan has had countless free elections, but bureaucrats still rule the roost despite the demonstrated record of failure this decade. Even

China, which so far has insulated itself from the economic debacle of its neighbors and has no meaningful national elections, is likely to have turbulent "domestic politics" as it continues to change dramatically.

Globalization isn't considered the greater good, at least not to many Asian politicians and publics, and even here in the short term. We have seen the defeat—at least momentarily—of fast-track authority, and we have yet to hear from Congress on all the bailouts. We can expect Asian domestic politics to be the arena of the struggle between the pressures of globalization and the forces of economic nationalism—all the more difficult because the forces of modernization and nation building are still very much at work. The much-needed dose of economic liberalization being forced upon countries by the world's lenders—a sort of internationally coerced "trickle-down economics"—will varyingly arouse anti-foreign, particularly anti-American, sentiment. Politicians will see to that, particularly given the sizable populations in most Asian countries that have benefited far less from vast economic growth and will suffer more from the coming austerity.

Anti-Americanism has risen sharply in Thailand, Malaysia and most recently in Korea, perhaps temporarily given the enormous bailout. Not surprising. For many years Asians have felt sustained American pressures on trade. Many see in the present disaster the foreign hand destroying their currency and buying their companies at fire-sale prices. Thais feel that as a longtime ally, the United States should not have abandoned them in their hour of need. Such sentiments in the past have usually been fleeting.

Economic turmoil and domestic politics have also brought home once again that there is no such political entity as Asia, only a number of East Asian countries that have developed important economic ties. There has been no great growth of cooperation on sensitive economic and political problems. In a time of incredible turmoil, Japan quietly backed off a major role in Southeast Asia's financial debacle and refused to change its damaging economic policies, while China, after a modest contribution, became uninterested in any role. Even the Association of South East Asian Nations (ASEAN), which had developed some cohesion, failed to coalesce to deal with the financial crisis of its members. The Asia Pacific Economic Cooperation (APEC) forum has developed only because of incessant American prodding.

Paradoxically, less political and economic "order" may—at least temporarily—bring a greater sense of security. With the exception of Korea, governments and publics are likely for some time to come to be less preoccupied with external security considerations as they focus on economic troubles and domestic politics—they are almost all in the same boat. Even South Korea seems for a moment less absorbed about dealing with the North.

In most countries hard-pressed governments will look for savings from the national security sector, stemming perhaps from fears of arms races. Japan has cut its defense budget, and so have Southeast Asian countries. If South Korean troubles last longer than expected, the government could find it politically harder to meet its professed determination to find the billions promised to Pyongyang for two nuclear reactors in exchange for halting its nuclear weapons program. The threat of revived Japanese militarism—so relished in much of Asia and in some prominent America quarters—may in some Asian countries be put to rest by Japan's international performance and current difficulties. So, too, the obsession with China may fade, although that is less likely. It is hard for Asians not to worry about China.

Asia's growth has surprised us, Asia's debacle has surprised us. The voices diagnosing with certainty Asia's troubles today were rhapsodic only a year ago. More surprises may be in store. We will certainly see a resurgent Asia; there is too much dynamism in the area. But Asia's domestic politics over the next decade will take place amid economic uncertainty and restructuring, continuing nationalism and growing democracy. Democratic politics is often as unpredictable there as it is in most places. However urgent today's need for foreign monies, Asian domestic politics will not necessarily throw up reformers and liberalizers, particularly those who can maintain power in volatile political settings. Globalization is an inexorable force promoting international cooperation, but it is not the only force in the world. The nation state remains very much alive in Asia, and the next few years will be critical to how much it is defined by nationalism and how much by globalization.

The writer is a senior fellow at the Council on Foreign Relations and a former assistant secretary of state.

The Washington Post

SUNDAY, JANUARY 4, 1998

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We need a clear
strategic message

Environmental Tasks in 1998

President Clinton paid little attention to environmental issues when he first came to office, moved to higher ground as time went on and now has a fairly rosy reputation among conservationists. Profiting from shrewd political advice, he successfully beat back Republican assaults on the country's basic environmental laws and acted decisively to protect Yellowstone National Park, California's redwoods and Utah's wilderness. Although his overriding task in 1998 is to win Senate consent to the treaty on global warming, he and the agencies under his command will have plenty of other chances to build on his earlier record.

To begin with, he must keep his eye on a Congress that still nourishes an urge to trifle with the statutory protections that have done so much to make this a cleaner and safer country over the past 25 years. Two major laws — the Superfund program for cleaning up toxic wastes and the law protecting endangered species — are up for reauthorization, and Mr. Clinton must make sure that the new legislation does not undercut the original intent of either one. He should also press hard to match last year's generous financing for the notoriously under-nourished Land and Water Conservation program, and for his ambitious effort to restore Florida's endangered Everglades to good health.

There are also three areas in which he and his subordinates can help chart a new direction.

Forest Policy. A big battle is coming over the national forests. Senator Larry Craig of Idaho, chairman of the forest subcommittee, is eager to rewrite the National Forest Management Act of 1976 in a way that would probably lead to more logging. Meanwhile, the new head of the Agriculture Department's Forest Service, Michael Dombeck, wants to put many roadless areas in the national forests off-limits to new roads and new logging. This would be

an extraordinary about-face for an agency that has long been regarded as a willing captive of both the industry it is meant to regulate and the Congressional committees, like Mr. Craig's, that oversee it. Assuming that Mr. Dombeck does not build in too many exceptions — for example, Alaska's Tongass National Forest — he deserves Mr. Clinton's strongest support.

Clean Water. The Clean Water Act of 1972, which last year celebrated its 25th anniversary, has done a good job of improving lakes and streams by controlling pollution from so-called "point sources" like factories and municipal waste treatment plants. But it has failed to control poisonous runoff from farms and urban areas. In the last few years, runoff containing hog and chicken wastes has seriously degraded rivers and estuaries in North Carolina and Maryland. A stronger Clean Water Act may be required. Short of that, the Environmental Protection Agency could tighten its regulations and the Agriculture Department could do much more with the Conservation Reserve Program to encourage farmers to convert cropland to wetlands and buffer zones around threatened waterways.

Utility Deregulation. This does not sound like an environmental issue, but it is. The efforts now underway in many state legislatures to introduce competition to the monopoly-ridden electric power industry may eventually give consumers a wider range of choices and lower their bills. Equally important, by forcing utilities to be more competitive, deregulation will encourage more efficient use of fuels like natural gas. That, in turn, could reduce the greenhouse gases that are believed to be the chief cause of global warming — Mr. Clinton's top environmental priority in 1998. This is a national issue requiring a Federal focus. Mr. Clinton should get out ahead of it.

The New York Times

FRIDAY, JANUARY 2, 1998

McCurry/Lewis
putty impression
should encourage!
Re

THE PRESIDENT HAS SEEN
1-5-98

copied
McCurry
Lewis
Bowles

Geneva Overholser

Visions for 1998

A dozen New Year's hopes for The Post:

- (1) Beef up corrections. We spread them around, make it hard to run any on Monday, and too often don't put them in at all unless someone presses hard. We should gather them in the same place every day. Failing that, where the majority appear, we should put a page reference to all others. We should run a

Ombudsman

correction even if, say, a columnist includes one within a column—otherwise no correction is attached to the original in the archive. And we should quit looking for excuses not to correct an error—someone is writing a letter on it, most of it was true, no one mentioned it's too slight, etc.

- (2) Rein in anonymous sources. Awareness of their damage seems to have risen, but not enough. The Post's policy notes that every use of an anonymous source hurts credibility and cautions that such sources should be avoided whenever possible. Their use, meanwhile, has become commonplace.

- (3) Trim back and tune up the pun headlines. Sometimes it seems we're making headway (oops). Other days we fill every other section front with one piece of lame silliness after another, each one leaving readers clueless about the stories' content.

- (4) Let the readers in on what we're doing. Scratch the doctor-like mystery. Don't say, "The Post has learned," but "A copy of the report was mailed to The Post by such-and-such agency." Not "When asked by a visitor," but "When this writer asked." Tell readers why we are not using a name in a story. Or in cases in which we usually do not use a name—juveniles, victims of sex crimes—explain why when we do. Stop up the labeling of analysts. Say more about the circumstances under which a source did not comment. Was he traveling? Did he slam down the phone? Did we make one call after 9 p.m. and find the person out? Say why an important fact is not in a story; let readers know why we can't get information: local government secrecy, the glacial workings of the Freedom of Information Act, a judge's refusal, etc.

- (5) Strengthen our safeguards against error. Writing yet again of an "interment" at Arlington Cemetery, calling North Korea the "ally" of South Korea—both of these within the last several days—undermines readers' confidence. It's enough to make one wish away electronic spell-check and yearn for the old eyeball with an education behind it.

- (6) Tell readers more about why something matters and how they can act on it. How can they obtain this document? Who published that book? Are tickets availab

to that event? How can one contact that organization? Where is this suburb?

- (7) Step up our vigilance as watchdog on behalf of the public. Plumb the current questions in a fearless and timely way: Should the District be selling off these public schools? How does the financing proposed for the new convention center work? Tell these stories now—not two years down the road when no one can do anything about them.

- (9) Don't pull punches to avoid angering readers. Be enlightened, thoughtful and willing to break with boneheaded tradition. If a story needs to be told, a fact given, a quote used, then use it, no matter who will be ticked off. Similarly, in commentary, go full-steam ahead; publish a wider range of voices and views.

- (10) Strive to keep our views out of our work—be it the "progressive" mind-set that makes us think the big company must be the offender in the environmental dispute or the guilty conscience that sends us overboard on a Christian right gathering because we shortchanged the last one. Avoid making up our minds before reporting a story. Seek out and include quotes and facts that lead in unexpected directions.

- (11) Cover ourselves better, whether it's an item on the Wilson Bridge (thus involving The Post's shipping needs) or one involving the company's financial interests. The Minneapolis Star Tribune's \$1.4 billion sale to McClatchy Newspapers recently rated a tiny brief, and no mention of The Post's 28 percent interest in the deal.

- (12) Finally, a wish of a different sort. That we turn some of this newspaper's remarkable resources toward plumbing the issues of race, be it in a series, occasional stories or commentary, from the point of view of business and economics, culture and the arts, or whatever. This city abounds with fears and hopes, thoughts and feelings on this topic. You're thinking, "Been there, done that?" My mail would indicate we haven't even begun. Here's to doing so in 1998.

The Washington Post

SUNDAY, JANUARY 4, 1998

THE PRESIDENT HAS SPOON

1-5-98

The Washington Post

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PHILIP L. GRAHAM, 1916-1993

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HARVARD SCHOOL OF PUBLIC HEALTH
Center for Health Communication

Jay A. Winsten, Ph.D., Associate Dean and Center Director

Hilton Head
December 31, 1997

THE PRESIDENT HAS SEEN
1-5-98

EB/c Rahim
Wm Murrell
Neh-Let's
discuss
R

Dear Mr. President:

To follow-up our brief conversation last night, I've attached a status report on Harvard's new media campaign to recruit mentors for at-risk youth. ABC, CBS, NBC, Fox, HBO, the Turner Networks, and the Hollywood studios have signed on.

I need your help to influence the upcoming television season by speaking at a Hollywood luncheon that Harvard will organize for 1,000 television writers, producers and executives, under the banner of "Give Something Back". Ideally, the luncheon should be held in June, when producers are making key decisions on the content of scripts for the fall TV season.

The goal of the luncheon is to encourage the inclusion of pro-social themes in scripts, including special emphasis on depicting mentoring relationships and sound parenting strategies. The luncheon also will celebrate the 10th anniversary of the designated driver campaign, demonstrating what Hollywood can accomplish when it puts its mind to it.

Thank you for considering this request.

Sincerely,

Jay

copied
Bowles
Rahim

cc: Bruce Reed



THE HARVARD MENTORING PROJECT

Center for Health Communication • Harvard School of Public Health

Jay A. Winsten, Ph.D., Associate Dean and Center Director

THE HARVARD MENTORING PROJECT—STATUS REPORT

“The problem with [TV sitcom] ‘Fresh Prince of Bel Air’ was, they showed us what life’s like in Bel Air, but didn’t teach us how to get there.” Tanya, a 16-year old girl from a Boston inner-city neighborhood, expressed her frustration—and ambition—during a focus group discussion on youth violence prevention conducted by the Harvard School of Public Health. Tanya is smart, motivated—and going nowhere, because she lacks adequate guidance. If the right person takes her under their wing, becomes her mentor and points the way, Tanya has a good chance to achieve fulfillment as a productive citizen. There are many others like Tanya. Regrettably, few are receiving the benefits of mentoring from a caring, responsible adult.

There is solid scientific evidence that mentoring works. In a landmark study, 1,000 young people on the waiting list of Big Brothers Big Sisters of America—mostly urban youth aged 11 to 15—were randomly assigned to two groups. Members of one group were assigned a mentor; members of the other group remained on the waiting list. Typically, the mentors met with the young people three times a month, with the average meeting lasting four hours. Comparing the two groups 18 months later, the children with mentors were 46% less likely to begin using illegal drugs; 27% less likely to begin using alcohol; 53% less likely to skip school; and 33% less likely to hit someone. Rather than focusing separately on discrete problems such as drugs, alcohol, school drop-out, and youth violence—all of which may affect the same child—the strength of mentoring is that it deals with all these problems simultaneously by addressing the needs of the child as a whole.

The challenge is to take mentoring to scale. Of the 12 million at-risk children in the United States, only 300,000-400,000 currently receive the benefits of mentoring. The largest program, Big Brothers Big Sisters of America, reaches 105,000 young people—with 30,000 more on the waiting list.

The challenge is twofold: to funnel additional volunteers into existing mentoring projects; and to stimulate the creation of new mentoring projects sponsored by businesses, religious groups, and civic organizations, with their members serving as mentors. A variety of model programs already exist. In Miami, 1,200 African-American men have come together to mentor 3,000 African-American boys. In New York City, employees of Goldman Sachs are mentoring 600 young people, who visit the corporation’s offices on a regular basis to meet with their mentors. In Philadelphia, 65 churches have joined together to mentor 800 children. In Kansas City and Minneapolis-St. Paul, thousands of children are being mentored through large-scale community-based efforts. The challenge is to replicate these programs in cities and towns across the country, motivating large numbers of citizens and organizations to get involved. Generating this high level of interest—indeed, creating a movement of tremendous momentum—will require a highly effective marketing and communication effort. That is the task of the Harvard Mentoring Project in partnership with America’s Promise—The Alliance for Youth, One to One|The National Mentoring Partnership, The Points of Light Foundation, and Big Brothers Big

Sisters of America. This national media campaign will help recruit an army of volunteers to serve as mentors of at-risk youth. The Project will be conducted in collaboration with leading television networks and Hollywood studios.

The Harvard Mentoring Project will utilize media strategies comparable to those employed by Harvard's highly successful Designated Driver Campaign for drunk driving prevention, which was launched in 1988 in collaboration with major Hollywood studios and leading television networks. During four television seasons, more than 160 prime time episodes depicted the use of designated drivers, and network-sponsored public service announcements (PSAs) were broadcast up to 10-20 times per week. *The New York Times* estimated that Harvard generated more than \$100 million each year in donated network airtime; public relations activities further reinforced the Campaign, generating extensive news coverage. The bottom line: 65 million Americans served as designated drivers (Roper Poll), contributing to a 30% decline in annual fatalities from drunk driving. Harvard's Designated Driver Campaign helped create a new social norm—a new social expectation—that “the driver doesn't drink.” Similarly, the Harvard Mentoring Project will promote the widespread acceptance of a community ethic in which individual citizens accept a shared responsibility for the well-being of all children.

The timing is propitious for this new Harvard initiative. From April 27-29 in Philadelphia, retired General Colin Powell chaired the Presidents' Summit on America's Future, sponsored by the Points of Light Foundation and the National Service Corporation. Presidents Clinton, Bush, Carter, Ford, and Mrs. Reagan representing her husband, joined 30 governors, 100 mayors, scores of corporate leaders, and 4,000 delegates. They launched an effort to win unprecedented numbers of commitments from corporations, non-profits, and individual citizens to help young people who are at risk of not leading healthy, fulfilling, and productive lives. To sustain the tremendous momentum generated by the Summit, General Powell and philanthropist Raymond Chambers are heading a new organization, America's Promise—The Alliance for Youth. Dr. Jay Winsten, director of the Harvard Mentoring Project, served as co-chair of the Summit's National Media Task Force, and has now been asked to serve on the Communications and Marketing Task Force of America's Promise.

The Harvard Mentoring Project and its partners will serve as a communications engine to fuel the growth of the mentoring movement. The Project will utilize a communications strategy with three components: advertising, entertainment programming, and news. Here's how it will work:

1. **ADVERTISING:** The Project will secure commitments from television networks to produce and sponsor their own PSAs on mentoring. Some PSAs will motivate individuals to volunteer at existing mentoring projects; others will motivate businesses, religious groups, or civic organizations to launch new mentoring projects. All of the PSAs will offer a toll-free number enabling viewers to call for referrals to mentoring projects in their own communities and for information on how to launch new projects.

2. **ENTERTAINMENT PROGRAMMING:** The Project will secure commitments from television writers and producers to develop prime time episodes depicting individuals serving as mentors. Entertainment programming not only mirrors social reality, but also helps shape it by depicting what constitutes public opinion, by influencing people's perceptions of the roles and behaviors that are appropriate to members of a culture, and by modeling specific behaviors. The prime time episodes depicting mentoring will extend and reinforce the impact of the network-sponsored PSAs.
3. **NEWS:** The Project will direct the attention of journalists to newsworthy developments in mentoring to help promote the growth of the mentoring movement. The Project will encourage journalists to spotlight innovative mentoring programs, track progress in state- and city-wide efforts to take mentoring to scale, and tell the stories of mentors and the young people they help. Special attention will be focused on securing coverage of mentoring on network news magazines and evening newscasts as well as in leading newspapers.

The Project also will work with a leading advertising agency to create a simple phrase—comparable to “designated driver”—that can serve as media shorthand for a variety of volunteer roles that help at-risk youth. The Project will popularize this phrase—indeed, will make it the talk of the nation—by encouraging its use in prime time entertainment episodes and network-sponsored PSAs, as well as on billboards, posters, and T-shirts. This initiative will generate powerful momentum behind the mentoring movement, helping to motivate large numbers of individuals and organizations to commit to helping young people.

PROGRESS TO DATE

At the request of the Harvard Mentoring Project, ABC, CBS, NBC, FOX and HBO have made commitments to produce and sponsor public service announcements this fall to help recruit mentors for at-risk youth. All PSAs will be tagged with toll-free telephone numbers enabling viewers to call for information about specific mentoring opportunities in their own local communities. This initiative is a collaborative effort involving the Harvard Mentoring Project, the television networks, and non-profit organizations promoting mentoring and volunteerism. The Points of Light Foundation and One to One|The National Mentoring Partnership, with funding from the MCJ Foundation, have prepared their local affiliates to respond to callers seeking information on local mentoring opportunities. The Points of Light Foundation serves as a national umbrella for more than 400 local Volunteer Centers, whose mission is to connect citizens with volunteer opportunities. One to One|The National Mentoring Partnership is an advocacy and resource group that is spearheading the growth of the mentoring movement; it has 13 affiliates in major cities. America's Promise will sponsor a toll-free number providing callers with information on mentoring. This toll-free number will utilize an automated response system programmed to provide the caller with the name and phone number of the nearest Volunteer Center or One to One affiliate, based on the caller's zip code.

Here is a rundown of each network's plans:

1. ABC's initiative is an extension of its major, ongoing commitment to mentoring, sponsored by ABC's Children First Campaign in collaboration with the Harvard Mentoring Project, the MCJ Foundation, One to One|The National Mentoring Partnership and the Points of Light Foundation. To date, more than 100,000 viewers have called the Children's First toll-free number for information on mentoring opportunities. ABC will continue to broadcast several mentoring PSAs each week, including in prime time, tagging the PSAs with the Children First toll-free number (1-800-914-2212). Callers will be offered brochures and referrals to Volunteer Centers and One to One affiliates.
2. CBS Sports will produce and sponsor PSAs promoting mentoring that will be broadcast during sports programming beginning in September. These messages will focus on the linkage between coaching and mentoring, and will be tagged with the America's Promise toll-free number (1-888-55-YOUTH). Shorter versions of these PSAs will air on CBS in prime time. In addition, CBS has produced a one-hour syndicated program on the involvement of the faith community in mentoring.
3. FOX kicked-off a new network-sponsored public service campaign on September 15, focusing on a different topic every 3-4 months. From September 15-December 31, the entire campaign will be devoted to promoting mentoring, with PSAs airing 2-5 times per week in prime time. The FOX PSAs will be tagged with the America's Promise toll-free number.
4. Beginning in late September, NBC will sponsor PSAs promoting mentoring on an ongoing basis under the umbrella of NBC's "The More You Know" Campaign. The NBC mentoring PSAs will air throughout the schedule, including in prime time, and will be tagged with the America's Promise toll-free number.
5. HBO has produced a set of PSAs featuring individuals who are serving as mentors and the young people whom they are helping. Beginning this fall, these PSAs will run during HBO's entertainment news program, and will be made available to all other networks and cable systems. The HBO PSAs will be tagged with the America's Promise toll-free number.

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Bowles
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EB
to Gov Bowles
any more?
BC



Hilton Head Island

Hilton
Resort

THE PRESIDENT HAS SEEN

1-5-98

National Commission on Tax Reform

- 2-3 yr study
- "Blue Ribbon Com"
- 15 members, chaired
by credible, beyond
reproach type person
who also understands
"timing" needs
- create advisory panels
to Commission to deal

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with diversity, regions,
industry sectors, etc.

- Develop drafts of how
current system works,
various options proposed,
"Winners and losers," thereby
creating dialogue and debate
away from the GDP simplistic
approaches

Good luck if
you pursue it.

Jerry Bales

THE PRESIDENT HAS SEEN

1-5-98

CC: Sid / Begala / Rahn / McCurry / Lewis
I saw Phil's response 1st time
very interesting - I should do an
interview for him - BG

December 23, 1997

Dear Mr. President:

I am writing you in brief now to raise a quick thought as you head off. I will put some longer ideas down over the holiday about the State of the Union, which I have already discussed with various people on the staff.

(For what it is worth -- press carping aside -- I think it is all going extraordinarily well, especially in most of the policy specifics, domestic and foreign. The race meeting with conservatives and the Bosnia trip were tremendous. What's still needed is work on describing the overall "wrapping" or packaging for the individual policies -- showing the sum is greater than the whole of its parts, that you have a comprehensive storyline to guide the country on its new journey and that there is a crisp, even inspiring way to convey all of this. That's no easy task and never has been for us, but beyond that, I wouldn't worry about the press's "drift" critique. You made a good start refuting it in your press conference. And as you know, this is all more about them than you; I don't think the country buys it, and you will knock all that out of the system in January.)

The one thing I wanted to raise has to do with Steve Brill's new magazine on the media, called "CONTENT." As you know, along with other projects, I've been working with him to prepare for a late spring launch. There's a good chance I won't take his offer to be the editor because the BBC/Discovery opportunity I mentioned to you will probably be a more broadening and challenging job. But I am still keen about this new magazine, and I think the first issue (probably out in early May) would give you a great opportunity to discuss your thoughts on the media and the potential of the information revolution.

I'm bringing this up now because Steve Brill will be at Renaissance again this year. If he can catch you briefly, he would like to discuss the possibility of interviewing you (probably in March) for his first issue. If nothing else, I think you would enjoy hearing about our plans (very aggressively holding the press to much higher standards, while also creating a true consumer's guide to the information age). So if you get a chance in your packed time, I urge you to try to start a discussion about an interview. If nothing more, I think you will find Brill interesting. He's a character who, believe it or not, is a huge fan of yours and might surprise you with some of his questions and suggestions.

I miss you very much. We won't be in Hilton Head; somehow my in-laws have managed to whisk us all away from my southern roots to the Dominican Republic, which I expect our boys will love. But as always, I will be thinking of you and wishing you all the strength you need for another year. And Nancy and I hope you and your family have the good rest you deserve and a happy new year.

Yours always,



copied
Sid
Begala
Rahn
McCurry
Lewis
Bowles

Memorandum to President Clinton

From Benjamin Barber

December 6, 1997

THE PRESIDENT HAS SEEN

1-5-98

Mr. President:

A quick follow-up to my November memo suggesting that the defeat of Fast Track originated in deep anxieties about globalism not directly related to free trade.

Why not **LINK** whatever tax reduction/tax incentives you are considering, to relieve those adversely affected by McWorld's global markets ~~and~~ its free trade policies? This would simultaneously target tax breaks to working Americans who most need it and make clear your sensitivity to the special problems globalism creates for workers.

✓ [For example: a tax credit for transitional living assistance and retraining (say for a six month period) for anyone who can show they have been disemployed by downsizing and/or the emigration of jobs to foreign labor markets.

This strategy justifies a discretionary domestic tax reduction by using it to ameliorate the costs of global trade; it also models an approach that frames domestic and foreign policy in a larger bridging vision (that critics wrongly keep saying is absent in current policy-making).

Ben Barber

copied
Bowles
Spertling

EB/Guns

What about this,
trial to a renewed FT effort?

R

THE PRESIDENT HAS SEEN

December 4, 1997

1-5-97

EB/c Sid
Gunn
Rahm

There's really something
to this —

MEMORANDUM

To: The President

From: Nancy Hernreich
Justin Coleman

Re: Memo from Benjamin Barber

Benjamin Barber writes that the defeat of Fast Track points to far deeper American anxieties rather than simple notions of neo-protectionism, anti-business sentiment, or resurgent Union power. He believes many Americans have reservations about the new global marketplace being governed by undemocratic forces that are unconcerned with American values.

He suggests that asserting leadership to fill this void could be the hallmark of the second half of your second term. He recommends a government-business-labor-NGO partnership aimed at democratizing the international environment of global business and trade.

[Handwritten signature]

copied
Bowles
Sid
Gene S.
Rahm

~~Confidential~~ Memorandum to President Clinton

From: Benjamin Barber
Date: November 12, 1997

THE PRESIDENT WAS SEEN

Mr. President:

1-5-98

I regret the defeat of Fast Track, but want to suggest that it points to far deeper American anxieties than are captured by easy political phrases like "neo-protectionism" or "anti-business sentiment" or "resurgent Union power" in the face of the Democratic Party's funding crisis.

I believe many Americans, including businessmen, have deep and well-grounded reservations about a global system (my "McWorld") that seems to be governed by nondemocratic, even anarchic, forces wholly unconcerned with American values or, indeed, the values of global responsibility and democracy. These are not fears about having to move out and compete beyond America's borders without protectionist shields; they are fears about a marketplace that is increasingly impervious to democratic governance at home and abroad.

The Democratic Party cannot and should not be protectionist or antibusiness: it needs to support entrepreneurship, market competition and the productivity of capitalism, and it must trust its capacity to flourish in international competition. But it must be anti-monopolistic, anti-cartel and anti-anarchy -- values that responsible business people and corporate CEOs can share -- and it has to support business in the context of humane and just values.

Pat Buchanan in this country as well as right-wing populists abroad (LePen in France, Haider in Austria) have demonstrated how easy it is to play on the fears of ordinary people about a global economy out of control and ignite a pernicious and irresponsible but highly effective politics of fear. But in the absence of a responsible politics of corporate accountability and global democracy, such fear-mongering can only become more and more successful.

Is this not the time to really consider how we can "get beyond McWorld" without reverting to Jihadic reaction? Protectionism is not an adequate response to globalism, but it is what we get in the absence of an adequate response. The politics of fear cannot meet the needs of the new interdependence, but without a politics of humane hope built around democratic interdependence, we will get a vicious and cloistered paranoia built around undemocratic exclusion, a politics of exclusion and scape-goatism aimed at immigrants, minorities, guest workers and foreigners. Protectionism only succeeds when other approaches to protecting American interests and values fail.

DETERMINED TO BE AN ADMINISTRATIVE

MARKING INITIALS: OB DATE: 08/01/19

2019-0774-5

1-5-98

BARBER - 2

My own conversations with corporate leaders persuade me that many of them are also concerned with the untoward consequences of runaway global markets, and would not view a thoughtful government strategy as "anti-business." Especially if they were included in the discussions to design such a strategy.

Leadership in this domain, filled with the promise of global prosperity and democratic interdependence but simultaneously stalked by the most dangerous kinds of totalistic profit-mongering on the one hand, and reactionary parochialism on the other, could be the hallmark of your leadership in the second half of your second term.

Linking domestic and foreign policy, speaking to business and labor alike, you could overcome the false divisions that enemies of the Democratic Party are trying to "discover" in the Congressional and White House branches of the Party. Responding with affirmative strategies of international democratization to America's deepest fears, you can offer a theme for the Millennium and an opportunity for Democratic successes in the 1998 and 2000 elections.

"Fast track" was an unfortunate phrase, because people fear that the global economy already is moving too fast, getting too big; and because they want to slow down and deliberate and assure that changes are not taking place that will be irreversible. The Justice Department's confrontation with Microsoft is the opening round in a worthy battle with "too big." Perhaps the defeat of fast track can be turned from a disaster into an opportunity by making it the opening round of a worthy battle with "too fast" -- whether it's too fast food, too fast computers or too fast trade treaties that invite changes whose consequences we haven't fully considered.

"Slow" here may mean more deliberative, better able to understand and assuage fears, more ready to think about untoward consequences. We rightly embrace "cooling off" periods in labor disputes. How about a "slow" down in economic and trade policy concerned with McWorld aimed at really considering the long-term consequences of processes over which, all too quickly, we will inevitably lose control? How about a government-business-labor-NGO partnership aimed at democratizing the international environment of global business and trade?

Every defeat is also an opportunity. Surely, this is one worth seizing.

1-5-97



THE STATE UNIVERSITY OF NEW JERSEY
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Walt Whitman Center for the Culture and Politics of Democracy

Melanne Verveer
Deputy Assistant to the President
And Deputy Chief of Staff to the First Lady
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Director:
Benjamin R. Barber
Whitman Professor of Political Science

November 12, 1997

Fax: 202-456-6244

Dear Melanne:

Enclosed is a confidential memo for the President that treats the Fast Track defeat as an opportunity. I would be grateful if you could get it to him. At his (and your) discretion it could also go to others, including Sid Blumenthal.

I will be seeing Ellen next month on the Millenium Project.

I hope all is well.

Best wishes,

A handwritten signature in cursive script that reads "Ben".

Benjamin R. Barber
Director

BRB:nab *mu*.

Enclosure: Confidential memorandum to President Clinton

Los Angeles Times

MONDAY, JULY 21, 1997

THE PRESIDENT HAS SEEN

1-5-98

Shocking
RitalinCOPIC u
Rahm
Baqala

Exit Joe Camel, but Here Comes Joe Prozac

■ **Drugs:** Children are the next target as antidepressants are marketed like candy bars.

By ARIANNA HUFFINGTON

Even 1st Amendment fundamentalists acknowledge that there is no absolute protection of free speech in the Constitution. Crying fire in a crowded theater is not covered. Neither is false advertising. The three-page Prozac ad now running in magazines around the country—from Time to Cosmopolitan—is morally indefensible.

Under a storm cloud that on the second page is magically transformed into a bright sun, the ad informs us that "When you're clinically depressed . . . you may have trouble sleeping. Feel unusually sad or irritable? Find it hard to concentrate? Lose your appetite? Lack energy? Or have trouble feeling pleasure? These are some of the symptoms that can point to depression."

These are also some of the symptoms that can point to life. Is there anybody on this planet who has never lacked energy, felt sad or irritable, found it hard to concentrate or had trouble sleeping? Because if there is, I would sure like to meet that perfect specimen.

Prozac has already been prescribed to

more than 17 million Americans. And as Eli Lilly, Prozac's manufacturer, admits in the small print of the ad—on strict lawyers' orders no doubt—it has not all come up roses. The adverse side effects listed under "precautions" range from anxiety (I thought Prozac cured anxiety) to suicide (a fail-safe cure for depression, though probably not the one Lilly had in mind).

Despite a page chock-a-block with small-print warnings and small-print advice to consult a doctor, Lilly has launched a multimillion-dollar ad blitz specifically designed to bypass doctors and target consumers directly.

Treating life as an illness is bad enough. But treating childhood as a disease is tragic. And what makes the timing of this campaign so disturbing is that it coincides with the publication of the only large-scale study on the effects of anti-depressants on kids, which is being used by Lilly to get Food and Drug Administration approval for children's Prozac. The University of Texas study found that about half of the 70 8- to 18-year-olds improved. But then, so did one-third of those on a placebo.

On such unshakable evidence, the FDA is widely expected to declare Prozac a drug approved for children. As Wendy Neuberger, a pediatrician who refused to prescribe Prozac, put it: "Prozac is a drug that alters brain chemistry, and we don't know

how alteration of brain chemistry in a child might affect their development."

Lilly's worldwide sales in 1996 were \$2.36 billion, up by 14% from 1995.

In the search for ever-expanding markets, children were bound to be Lilly's next target. But why does the FDA, so eager to protect children from tobacco, have to cooperate? Already, children's prescriptions of adult antidepressants have soared from 342,900 in 1994 to 579,700 in 1996.

There is obviously a small percentage of children, as there is a small percentage of adults, who suffer from severe depression that needs to be medically treated. But this glossy ad campaign is not for them. The transformation of a gray cloud into a yellow sun is intended to convince the average American pursuing happiness and not quite finding it that there is an instant solution at hand. More troubling is the fact that the childish drawings are clearly aimed at stressed-out parents too busy to deal with children who are acting up, having trouble at school or simply being moody. The solution is simple: Drug them up to your expectations.

"Children on Prozac," Barbara Inge-soll, a child psychologist, cheerily proclaims, "tell us they are not as angry and not as temperamental, behave better and feel better. It is a tremendous development. We can see a future where mood disorders will be

treated not as exotic, uncommon conditions in children but more like dental cavities or poor vision." Inge-soll has seen the future, and it works: "There won't be a stigma for kids on Prozac—the stigma will be on not taking Prozac."

Perhaps to avoid the stigma and until the ads reach full penetration, we can put it in the water supply, like fluoride. And since nobody is moodier than a bunch of eighth-graders, why not sell it in vending machines? Exit Joe Camel. Enter Joe Prozac.

At the very moment we are bombarding our children with ads and sermons about saying "no" to drugs, we are blurring for them any distinction between feeling good from Prozac and feeling good from life. "The unexamined life is not worth living," said Socrates, but we are teaching our children that masking symptoms with drugs is the best way to lead busy, productive lives. In the brave new world of designer drugs, we just gulp down another pill and head for another meeting.

And we don't even see the absurdity of a major advertising campaign for a prescription drug for clinical depression, aggressively marketed like a new candy bar. The kiddie Prozac about to debut is in fact peppermint-flavored. Which makes Eli Lilly just a big-time drug pusher.

Arianna Huffington is a syndicated columnist. E-mail: ariannahuf@aol.com

ON CULTURE

BY ARIANNA HUFFINGTON



Peppermint Prozac

Is your daughter depressed about acne? Soon, you may be able to take her to a dermatologist for peppermint-flavored Prozac. Is your son blue over an ingrown toenail? Take him to a podiatrist for some antidepressants. Is he angry about having to wear braces? His orthodontist may soon be handing out pills along with a dinosaur toothbrush.

Already, at least 580,000 children are being prescribed antidepressants—and those numbers are likely to increase dramat-

ically. For now, doctors can prescribe Prozac to kids but Eli Lilly, which manufactures the drug, can't market it as a children's remedy. According to the *Medical Sciences Bulletin*, however, "the FDA is currently evaluating Prozac for use as an antidepressant in children." If the FDA gives its blessing, Eli Lilly will be free to peddle "children's" Prozac—especially now that the FDA is about to clear the way for TV advertising of prescription drugs. The company already has on the market a peppermint-flavored version of Prozac. And where Prozac leads, other antidepressants, such as Zoloft and Paxil, are sure to follow.

Doctors may prescribe antidepressants to children without any psychiatric evaluation. Yet the symptoms used to identify depression in a recent Prozac ad range from feeling "unusually sad or irritable" to finding it "hard to concentrate." I have two healthy little girls, ages 6 and 8, both of whom have experienced these symptoms. Indeed, I don't know any normal children who haven't.

No doubt there are children and teenagers who could genuinely benefit from antidepressants. But it's easy to see how millions might wind up taking antidepressants as a false cure for childhood and adolescence. One father in Southern California wrote to me recently to say that one of his son's friends is on antidepressants "because her parents are 'too strict' and she is depressed at not being able to do what other kids do."

A passing cloud. Signs of depression may be nothing more than a passing cloud—or an indication of unresolved grief and loss. A doctor spending a few minutes with a child cannot possibly know the difference. "It's part of the human condition to feel crummy if something bad is happening in one's life," says Harold Koplewicz, vice chairman of psychiatry at the New York University Medical Center. "But that is very different from having a clinical disorder."

Indeed, substituting the quick fix of a drug for the often frustrating reality of parenting can be a subtle form of child

abuse. It is our job as parents to help our kids navigate life's emotional roller coaster. Their mental health depends not only on their life experiences—good and bad—but on how they learn to cope with them.

Children behave notoriously in line with the expectations of the adults around them. If we think they can't cope without a pill, they will grow up believing that. If we teach our children that pills will make them feel better, how can we then tell them

not to try a joint or a few drinks to lift their spirits?

It may not be long before stressed parents and teachers, bombarded with ads promising immediate relief for their kids—and themselves—will turn to Prozac with alarming frequency. Forty percent of American children live without a father in the house. How tempting antidepressants will seem to those overwhelmed mothers.

One psychologist, Barbara Ingersoll, recently proclaimed that before long "mood disorders will be treated not as exotic, uncommon conditions in children but more like [cavities] or poor vision... There won't be a stigma for kids on Prozac—the stigma will be on not taking Prozac." In the past, the upper classes typically dealt with the stresses of childhood by sending their kids to boarding school. Now, instead of being sent to Hotchkiss, children can be transported to Camp Prozac.

There are so many forces pushing us to accelerate the use of antidepressants for children. But we need to slow down. "Children are so vulnerable," says Michael Faenza, president and CEO of the National Mental Health Association. "We don't have a good body of research yet about how antidepressants will affect them long term." Even in Aldous Huxley's *Brave New World*, Soma—the drug that kept everyone manageably numb—wasn't put in the kids' bottles.

Here is a modest solution. Until much more is known about the effects of antidepressants on children's brains, why can't doctors simply refuse to prescribe the drugs without a full psychiatric evaluation? Since Eli Lilly claims to be concerned primarily with the mental health of its customers—as opposed to opening an enormous new market for Prozac—company executives would no doubt agree to such a restriction. And if they find that pill too hard to swallow, maybe the FDA could give it to them in a nice peppermint-flavored version.

CHIP HENDERSON/TONY STONE IMAGES



Will Prozac be used for childhood blues?

Overprescribing antidepressants to kids is a form of child abuse.

Arianna Huffington is a nationally syndicated columnist.

The San Diego
Union-Tribune.

August 20, 1997

Children, soft money and McProzac

President Clinton's proposal last week that pharmaceutical companies test all drugs likely to be prescribed for children brought to the forefront once again the unsettling issue of children and antidepressants.

What is particularly chilling is the masterly way Eli Lilly, the manufacturer of Prozac, is continuing to present itself as an innocent bystander in the process to gain Food and Drug Administration approval for pediatric antidepressants.

I was recently on a radio show with Lilly representative Dr. Gary Tollefson, who talked in measured tones about Lilly's "partnership with the academic community," "peer review medical journals" and the need to establish "whether the benefits outweigh the risks." This, at the very moment when Lilly has signed up Leo Burnett of Chicago, the ad agency handling Reebok and McDonald's, to target consumers directly.

Lilly's public stance is of a civic-minded company whose sole concern is the well-being of children — especially the millions of children whose quiet suffering could come to an end by imbibing peppermint-flavored Prozac.

Meanwhile, through its extremely active political action committee, Lilly makes sure that elected officials in Washington will not be asking too many questions about Prozac and children. In the last 10 years, the PAC has made several hundred contributions to federal campaigns — among them those of Newt Gingrich, Dick Armey, Tom DeLay, Trent Lott, Chris Dodd and members of the House Commerce subcommittee on health.

Lilly has also become expert at the soft-money game. The company went from zero soft-money contributions in the 1992 election cycle to \$746,675 in 1996. When asked to explain this burst

Arianna Huffington

of generosity, Lilly spokesman Jeff Newton replied: "We do it because we think we have to participate in the political process. . . . We give to both parties. They are important institutions, basically, and that's why we do it."

Fortunately, Rep. Dennis Kucinich, a member of the Government Reform and Oversight Committee, does not receive Lilly money. When Kucinich asked the FDA for information, the agency responded by citing *F-D-C Reports*, which covers the drug industry: "Prozac is being studied by Eli Lilly and Co. (the sponsor) as an antidepressant for use in patients under 18 years of age and . . . a pre-N.D.A. (New Drug Application) filing" was made."

That directly contradicts the passive stance that Lilly has been assuming for public consumption — including in a letter sent to me and every newspaper that published my column critical of pushing Prozac on kids.

This letter is part of a well-orchestrated, cold-blooded attempt summed up by Lilly executive Christina Hendricks: "We go after those people," she told a drug industry conference in May, referring to anyone who dares be disrespectful of Prozac, even in greeting cards, "with a very serious intent to get them to cease and desist from their activities." Any attack on Prozac is being countered as "belittling those suffering from depression."

Lilly's damage-control strategies include secret settlements with plaintiffs

regarding Prozac's adverse effects. The latest occurred in Louisville, Ky., where Lilly quietly reached agreement with the families of the victims of a Prozac user who killed eight and wounded 12 in a printing-plant shooting spree.

Now the pharmaceutical company, whose 1996 profits were \$1.52 billion, is cynically planning an expansion into the children's market while pretending it is not and dosing Congress into docility with money soft and hard.

"Lilly's proactive approach to media management may be smoothing the way for antidepressants in children," *F-D-C Reports* observed this year. Indeed, Dr. Tollefson appeared on National Public Radio in May to tell listeners that adult depression "often begins in children and adolescents."

What mom or dad would condemn their young one to a life of depression when, with kiddie Prozac, the Kodachrome perfection of an American childhood could be at hand? Watch out, America. That's how they gild the lily at Lilly. They talk obsessively about the relatively few children with serious depression, while leaving out the millions of kids whose growing brains are being meddled with even though there is no clear medical knowledge of the long-term effects of Prozac.

Next time you hear a Lilly executive talking about improving childhood through chemistry, remember that he stands to make huge profits by getting kids hooked. Last year, Lilly CEO Randall Tobias took home \$6.68 million in compensation, a 75 percent increase over the previous year.

And how, precisely, does this incentive plan — growing wealthier by expanding the market of restless and troubled kids medicating themselves against life's emotional roller coaster — differ from that of the Cali cartel?

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THE NEW YORK TIMES OP-ED SATURDAY, DECEMBER 27, 1997

Why Mexico's Massacre Was No Surprise

By Juan Enriquez

The Christmas week massacre of 45 people, mostly women and children, in the Mexican state of Chiapas was shocking but by no means unprecedented or unexpected. The national Attorney General's office knew that violence was rising in the municipality where Monday's massacre took place. Just since October, 19 other people have been killed, and more than 60 houses have been burned.

Time and again, civic leaders, human rights groups, newspapers and opposition figures have begged Mexico's President, Ernesto Zedillo, to address the increasing violence. Yet murder after murder remains unsolved. The perpetrators, often boasting of Government protection, go unpunished. In Chiapas, the masterminds behind the attempted murders of Bishop Samuel Ruiz and of a gubernatorial opposition candidate

Juan Enriquez is a researcher at Harvard's Center for Latin American Studies. In 1994, he was a member of the Mexican Government commission that negotiated a ceasefire in Chiapas.

remain free.

A conservative Catholic bishop, Raúl Vera, wrote to the Interior Minister, Emilio Chuayffet, warning of arms buildups by paramilitary groups of the increasing attacks, torture, house burnings and murders of peasants. The press has detailed the rising violence not just in Chiapas,

Violence grows, and a Government seems paralyzed.

but also in the states of Guerrero, Tabasco and Oaxaca. The targets of this violence have claimed there are links between the armed militias and local sympathizers of the PRI, the national ruling party.

Support for radical change is growing rapidly in Mexico, where the PRI has dominated the Government for 68 years. Fortunately, some of the anger is vented through the ballot box. For the first time, opposition parties have won control of Mexico City and Congress. But opposition is also violent. Active in at least 11 Mexican states, guerrillas are strongest where the PRI has drowned out any hope of

peaceful change and where the people believe that Government has condoned systematic and widespread repression.

Confronted with this growing discontent, the authorities do nothing but offer reassurances about justice, then crack down with tough security measures — a self-defeating strategy. President Zedillo has depended increasingly on the military and on hard-line officials and the local authorities to govern.

But the violence is still on the rise. Dozens of people have been kidnapped, tortured and murdered, most notably in Mexico City, Jalisco and Guerrero. Mexican journalists have been murdered.

Yet the Government does not seem to have time to listen to the growing concern, much less do anything about it. The President and his top ministers refused to meet with Amnesty International's secretary general during a recent visit, and human rights organizers have been thrown out of the country. Foreign journalists have been prosecuted and sued.

Taking a hard line has not improved security. There seems to be no will to investigate and solve any crimes. In Mexico City today, less than 2 percent of all crimes committed lead to jail terms. Organized crime, like kidnapping, is flourishing, in some cases carried out by current or former police officers, according

to numerous published reports. Bank robberies in Mexico City have increased twelvefold since 1993, and violent street muggings have risen 82 percent since 1994, making Mexico City one of the world's most dangerous cities. This state of lawlessness and repression is angering citizens whose real minimum wage is one-third of what it was in 1980.

Today, Chiapas is a preview of what could occur throughout Mexico. In two conversations in 1994, I told Mr. Zedillo's top adviser, Luis Téllez, that a negotiated solution was the only way of stopping the violence that was overtaking the state. Then, President Zedillo, despite assurances that he was seeking a peaceful solution, ordered a surprise attack on Subcomandante Marcos, the Chiapas rebel leader. The attack was unsuccessful, and the President was forced to retreat. In subsequent negotiations, promise after promise and agreement after agreement have been ignored.

President Zedillo must revamp his Cabinet to include the reformist faction of the PRI, and he must learn to govern with the opposition. He also must stop using threats and repressive measures as his main instruments of governing. Otherwise, violence will continue to spread, and Chiapas will simply have served as a harbinger of Mexico's future path. □

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goals and objectives and proposing ways for taxpayers to evaluate whether the bureaucrats they pay are meeting them. They also were to draft formal mission statements.

The initial drafts were due last Sept. 30, but an early review by the General Accounting Office suggests that the government's myriad parts and departments may have some work to do before Clinton can credibly claim that they have been "reinvented."

"While compliance with the (act) is improving, we have a long way to go to reach the point where every agency knows exactly what it is trying to accomplish and has a plan to reach measurable goals," said House GOP Leader Dick Armey, R-Texas.

According to the GAO report, the first try at reinventing government is loaded with shortcomings and contradictions:

The Defense Department continues to spend billions of dollars on new computers, but many of its most important functions, such as inventory control, are still accomplished largely by hand or with relatively primitive technology.

The government has more than 30 departments, agencies or other offices involved in carrying out trade policy and promoting exports, but there is no comprehensive plan that coordinates their efforts in this area.

The draft plan submitted by the Department of Health and Human Services did not address the question of how to coordinate its alcohol and drug-abuse treatment programs, even though they exist in tandem with those of 15 other federal agencies.

The mission statements, for the most part, are hardly startling. The statement for the National Weather Service, for example, says it exists to forecast the weather.

Never shy about exploiting a shortcoming in government for political purposes, Armey has given the entire effort an F. (Congress was not included in the exercise because, for better or worse, it is not being reinvented.)

"The scores illustrate rather starkly how far agencies are from the ideal and how much work remains to be done," he wrote in a letter to Franklin D. Raines, director of the White House Office of Management and Budget, which is spearheading the administration's effort.

To be sure, the drafts that Armey has been talking about represent only a first crack by government agencies at writing the kind of strategic plans required by the 1993 law. Officials say at least some of the shortcomings have been corrected in revised drafts.

But the early returns suggest that the revolution in the bureaucracy that Clinton and GOP lawmakers have promised is likely to come about gradually, if ever.

Big Tobacco Habitually Snuffs Out Efforts to Make Fire-Safe Smokes **By Myron Levin (c) 1998, Los Angeles Times**

Many people know that smoking is considered the nation's leading preventable cause of death. But it is less widely known that cigarettes also are the leading cause of fatal fires, responsible for about one-quarter of all U.S. fire deaths. Often, the 1,000 victims each year are not just smokers who drifted off to sleep but children and other innocent bystanders.

Yet many scientists and fire officials say these deaths are often unnecessary because small design changes in cigarettes would make them less prone to start fires.

And indeed, over the last quarter-century, many bills have been introduced in state legislatures and Congress to require cigarettes to meet a fire-resistance standard.

But tobacco companies, claiming fire-safe smokes would not be commercially feasible, have

repeatedly overpowered or outflanked such efforts. And the way they have done it, secret documents and interviews show, is a textbook example of a powerful industry using its wealth and ingenuity to stave off regulation.

They have done it through a sophisticated, two-pronged strategy that has included bankrolling in-house scientists and outside consultants to debunk the technical feasibility of safer smokes.

At the same time, they have attracted the strangest of bedfellows by doling out millions of dollars worth of grants, contracts and services to cement an ingenious alliance with fire safety organizations. In the process they have won the favor, and in some cases the silence, of credible groups whose whole purpose is saving lives.

And they have shifted the fire-resistance burden to manufacturers of everything from mattresses and furniture to pajamas.

"Their answer (is) to fire-proof the world against our torches," said Congressman Joseph Moakley, D-Mass, who began pushing fire-safe-cigarette legislation in 1979.

But some fire groups, grateful for tobacco's financial support, appear to have accepted the industry's argument that fire-safe smokes remain a pipe dream.

"I can't overemphasize the good that this money has done," said Fred Allinson, president of the National Volunteer Fire Council, which has received heavy support not only from cigarette manufacturers but from smokeless tobacco giant United States Tobacco.

Tobacco officials deny any cynical motives. "Philip Morris has a long history of giving back to the communities in which our employees live and work, and that includes supporting the fire-fighting community," a company spokesman said.

Others see it differently.

"It would be like the international chiefs of police getting funding from the Mafia to fight crime," complained Andrew McGuire of the Trauma Foundation, a safety group in San Francisco that has campaigned on the issue since the 1970s.

But the strategy has paid huge dividends for the tobacco industry by dividing the people whom lawmakers consult on fire-related issues as occurred last spring in New York when a fire-safe cigarette bill was defeated.

The companies also have gained from the issue's low profile, and lack of priority status with anti-smoking groups.

Meanwhile, in a span of a few days in December, an invalid woman in Los Angeles died in a house fire ignited by a cigarette; in Biddeford, Maine, a 51-year-old disabled man died when a cigarette fire engulfed his apartment; and cigarette fires killed people in Texas, Florida, Missouri, Virginia and South Carolina. It was just an ordinary week.

In many ways, the tobacco industry today has never seemed more vulnerable as evidenced by its dismal image and fervent campaign for congressional protection from mega-lawsuits. But while the industry is seemingly on the ropes, its mastery of the fire-safety debate reflects its staying power.

"This is not the industry of old," observed Don Shopland, a veteran official with the National Cancer Institute. "But they're far from dead and far from dying ... in terms of having a lot of clout to ... influence the political process."

Although cigarettes seem like nothing more than tobacco wrapped in paper, they are in fact carefully engineered to look, taste, smell, and burn a certain way and to go on burning when not being puffed.

This spares smokers the trouble of lighting up again, and pays off in higher sales from cigarettes

burning out in ashtrays. But it also means that a cigarette rolling off the lip of an ashtray onto a mattress, or into the crack of a sofa, can smolder undetected for 30 or 40 minutes before bursting into flames.

The idea of safer smokes has been around for decades, with dozens of patents granted on ways to make cigarettes burn cooler or go out when not being puffed. Cigarette makers say these ideas either won't work or would produce cigarettes no one would buy.

The result is that with active encouragement from the industry, government and business have pursued a policy tobacco foes describe as "making the world safe for cigarettes."

Under voluntary standards and government mandates, for example, furniture and mattresses have been made more fire-safe, cutting down on cigarette fires. However, this approach has limitations, because the long life-cycle of such items assures that flammable furnishings remain in use.

Big Tobacco's fear of changing its products is easy to understand. In the United States, cigarettes are a nearly \$50 billion dollar-a-year business, and among the most profitable of all consumer products. With so much at stake, the cigarette makers are adamant about doing nothing that might reduce the appeal.

They worry, too, that if government gets involved in the chemistry of the manufactured cigarette, there is no telling where it might lead. Better to focus on individual carelessness than endanger the golden goose.

Lawsuits are another concern. A dead or disfigured child could be a hugely sympathetic plaintiff if it were shown that his injury could have been prevented.

With that in mind, an attorney with a top tobacco law firm voiced dismay in 1987 when R.J. Reynolds, in introducing its novel Premier brand, boasted that Premier which heated, rather than burned, tobacco to reduce second-hand smoke was coincidentally less apt to start fires.

Reynolds' announcement "seriously undercuts" the industry's legal position, warned William S. Ohlemeyer of Shook Hardy & Bacon, in a memo leaked to the Los Angeles Times.

"In litigation that is now quite unattractive ... the existence of a 'goof-proof' cigarette ... could make this litigation significantly more attractive" to plaintiffs, he wrote.

Brother of Marlins' Hernandez Can Enter U.S. (Miami)

By Mike Clary Special to the Los Angeles Times

MIAMI World Series hero Livan Hernandez has much to smile about as 1998 gets under way. Minutes before cruising down Biscayne Boulevard on the back of a stretch limousine as grand marshal of the Orange Bowl Parade, the star pitcher of the Florida Marlins learned that his half-brother, Orlando, who fled Cuba on a raft and was freed Thursday from a Bahamian jail, would be permitted to enter the United States on a humanitarian visa.

Orlando Hernandez, known as "El Duque" (The Duke), was himself a standout pitcher before he was kicked off the Cuban national team in 1996 after his brother's defection in 1995.

But while Livan Hernandez and many in the Cuban exile community here rejoiced over the impending arrival of yet another celebrity defector from the regime of Fidel Castro, others filled Spanish-language talk radio shows with angry comment over what appears to be a double standard in the treatment accorded Cuban refugees.

"It doesn't seem fair," said one caller. "Everyone is not treated equally."

THE PRESIDENT HAS SEEN

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No U.S. Asylum for 5 Cubans Left in Bahamian Jail

Baseball Players' Fellow Escapees Ineligible for 'Humanitarian Parole,' State Department Says

By William Branigin
Washington Post Staff Writer

While a star Cuban pitcher, his girlfriend and a fellow baseball player are free to come to the United States, five other Cubans who fled with them to the Bahamas will not be granted the same opportunity, the State Department said yesterday.

The five, who remained in a Bahamian immigration detention center yesterday, are not eligible for the "humanitarian parole" that was offered Wednesday to pitcher Orlando Hernandez, his companion Noris Bosch and former teammate Alberto Hernandez, officials said. Humanitarian parole, which is granted by the attorney general, allows foreigners in special circumstances to enter the United States without visas and apply for asylum here or to become legal residents.

After the United States offered parole to the three, they were released from detention and taken to the home of a wealthy Cuban American who owns resorts in the Bahamas. Orlando Hernandez, the half-brother of star Florida Marlins pitcher Liván Hernández, vowed not to leave his comrades in jail and indicated he was not immediately prepared to take up the U.S. offer. Instead, Cuban American and Bahamian sources said, he and an agent were exploring prospects for asylum in the Bahamas or in Costa Rica.

If the others are not going to travel, they will not leave them behind," said Nibeka Perez, a spokeswoman for the Cuban American National Foundation, a Miami-based exile group helping the defectors. "They ran the same risks he did. Their lives are in danger. He said they deserve the same treatment."

In trying to sort out the Cubans' fate, the Clinton administration faced the dilemma of accommodating the demands of Orlando Hernandez's relatives in the United States and an influential Cuban American lobby, while maintaining its policy of discouraging illegal migration. In the end, it decided that the five Cubans still being held do not qualify as refugees, but it seemed to suggest that they should not be summarily sent back to Cuba.

The five are Juan Carlos Romero, the "captain" of the rickety 20-foot boat that allegedly brought them to a Bahamian cay last weekend; his wife, Gidel Gonzalez; Orlando Hernandez's best friend, Osmany Lorenzo; a cousin, Lenin Rivero Hernandez; and Joel Pedruso.

According to a State Department official, they are not eligible to come to the United States because they have not faced the same "harassment" and reprisals from Cuba as the baseball players, who were banned from the sport for life and thus "deprived of their livelihoods." The official, who did not want to be identified, said the five were being well treated by Bahamian authorities. He said the United States remained confident that the authorities would handle their claims for protection properly and "ensure that no bona fide refugee is returned to Cuba."

The U.S. decision raised questions about the consistency of U.S. policy and about possible financial motives by the players in spurning, at least for the moment, the U.S. offer of parole.

U.S. officials said the issue of consistency—letting in talented ballplayers and a girlfriend while keeping out others who traveled with them—was debated among the State Department, Justice Department and National Security Council before the decision was reached on humanitarian parole. "The final determination was that inconsistency was justified in this particular circumstance," one official said.

A major concern was that the decision would engender cynicism about U.S. immigration policy, which is aimed at discouraging Cubans from making risky voyages on unseaworthy vessels in attempts to reach the United States. A 1994 agreement with the government of Cuban President Fidel Castro allows up to 20,000 Cubans a year to immigrate to the United States and provides that Cuban "boat people" intercepted on the high seas will be returned to Cuba or, in exceptional cases, resettled in third countries as refugees.

"This is the policy, but if you throw a great curveball, it's something else," an official said in summing up an argument that parole for the latest escapees would be a bad precedent and difficult to justify.

In opting to remain in the Bahamas for now, Orlando Hernandez and his former battery mate on the Cuban national team, catcher Alberto Hernandez, also raised questions about whether, in addition to their avowed solidarity with their five comrades, they also were seeking to dodge the annual entry draft that Major League Baseball requires for players in the United States.

By taking up residence in another country, a player can qualify as a free agent and potentially win a much bigger contract by shopping his services to the highest bidder, instead of having to negotiate solely with the team that drafts him. The Cuban American baseball agent Joe Cubas, who is seeking to represent Orlando Hernandez, has helped arrange residency in the Dominican Republic or Costa Rica for other Cuban players who have defected in recent years.

U.S. officials said it was lucky for the two baseball players that they landed in the Bahamas. If they had been intercepted by the Coast Guard in international waters, the U.S.-Cuban agreement would have required them to be repatriated or sent to the U.S. naval base at Guantanamo for third-country resettlement.

Although they claimed to have spent four days on the narrow, uninhabited Anguilla Cay with little to eat after a 10-hour boat trip, the defectors were described as being in "excellent condition" when they were rescued by the U.S. Coast Guard Monday.

U.S. immigration officials said that in previous cases, Cubans with means have been smuggled out in larger vessels, then dropped off in small craft to await rescue, a method that minimizes the risk of the crossing and avoids detection of the smuggling operation. The officials said that the condition of the defectors raised some suspicions but that there is no evidence of the involvement of a larger alien-smuggling operation in their case.

The Washington Post

SATURDAY, JANUARY 3, 1998

THE PRESIDENT HAS SEEN

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Drunken driving laws '98 focus

States face debate on legal limit

By Scott Hildebrand
USA TODAY

A major push to lower the legal blood alcohol limit for drunken driving to .08% or less will get underway this year in more than half the states and in Congress.

Already:

► Safety activists in Maryland Tuesday kicked off a drive to lower the blood-alcohol limit to .08% from .10%.

► Tennessee Rep. Mae Beavers said she will introduce a bill lowering the limit when the legislature convenes Jan. 13.

According to Mothers Against Drunk Driving, bills lowering the blood-alcohol limit to .08% will be debated in at least 28 states and the District of Columbia in the coming months. The issue will be a major one, says the National Conference of State Legislatures.

MADD plans heavy lobbying in Connecticut, Maryland, Minnesota, New Jersey, New York and Rhode Island.

Congress, too, is considering a bill that would cut federal highway funds by up to 10% to states that don't adopt a .08% law within three years after that bill is passed.

The bill has been endorsed by President Clinton, but faces a tough fight in the Senate.

The drive to lower the limit gained impetus last year after the Paris death of Princess Diana in a car driven by a man who was legally drunk. The legal limit in France is .05%. In Great Britain, Spain, Canada and Italy the legal limit is .08%.

A 170-pound man would need four drinks in an hour on an empty stomach to reach a blood-alcohol limit of .08%, the U.S. Department of Transportation says.

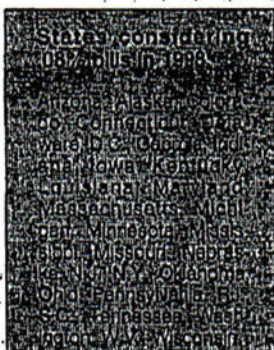
"Lowering the legal standard will be a deterrent for light drinkers as well as heavy drinkers," says Katherine Prescott, president of MADD.

But Rick Berman, of the American Beverage Institute, says the focus should be on repeat drunk drivers and those with higher levels of alcohol in their blood.

"There appears to be a campaign to make people think this is a big bandwagon," Berman said. "If this is a bandwagon, it's got two flat tires and a broken axle."

Already, 15 states limit blood-alcohol levels to .08%.

In 1996, the last year for which statistics are available, 17,126 people died in alcohol-related crashes nationwide. That's about 41% of all traffic deaths. Of those, about 9% involved drivers who were under the .10% limit.



Kennedys prayed over dying brother

By Martha T. Moore
USA TODAY

Michael Kennedy's body arrived in Hyannis, Mass., Thursday as the nation's best-known political family gathered to mourn yet another loss.

Kennedy's brother, Rep. Joseph Kennedy, and cousin, Rep. Patrick Kennedy, escorted the body to Cape Cod in a private jet. They were met by his uncle, Sen. Edward Kennedy. A private wake will be held today.

Kennedy died in Aspen, Colo., Wednesday after he hit a birch tree while playing football on skis with members of the Kennedy family, reportedly including his mother, Ethel, and three children.

Autopsy results Thursday showed Kennedy died of "massive head and neck trauma."

The Associated Press reported that the Aspen Mountain ski patrol had told the family in the past to stop the game because it was too dangerous.

Maureen McDonald, spokes-

woman for the resort, would not confirm or deny the report. But "the ski patrol does stop that when they see it," she said.

An eyewitness, New York publicist Couri Hay, told the New York Daily News that Kennedy, skiing without poles, caught a pass and hit the tree. Hay also said Kennedy had been videotaping the game.

The accident occurred about 4 p.m. on Wednesday on an intermediate ski run. The run was fast, and there were shadows, witnesses said.

Kennedy's younger sister Rory tried to revive her brother with mouth-to-mouth resuscitation, while other family members knelt in the snow to pray, Hay told the Daily News.

Toxicology tests are being done to determine if alcohol was involved, his doctor said.

The accident was one of at least seven fatal skiing accidents last month on slopes from Maine to Wyoming.

► Michael Kennedy, 2A



By Steven Serna, AP
Michael Kennedy

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USA TODAY • FRIDAY, JANUARY 2, 1998

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U.N. inspection may provoke new Iraq showdown

By Siewat Stogel
SPECIAL TO THE WASHINGTON TIMES

NEW YORK — U.N. officials say they will try again soon to inspect one of Saddam Hussein's palaces, a move that is likely to spark another standoff and possible U.S. retaliation.

"It could come as early as next week," said a source with Unscm, the U.N. inspection team charged with finding and destroying Iraq's weapons of mass destruction.

Iraq has said repeatedly it considers the palaces off limits to Unscm in spite of U.N. Security Council resolutions proclaiming the right of the inspectors to go anywhere in the country.

The inspectors "will never be allowed into these buildings, never," said Tariq Aziz, Iraq's deputy prime minister, as he led an international news contingent through several palaces in early December.

Mr. Aziz insisted that no weapons were being stored in the compounds, though reporters who made the tour were not convinced. The sites, more than 45 locations scattered around Iraq, range in size from small homes to massive compounds covering many acres, State Department officials say.

Both Washington and the United Nations insist on access to the sites to make sure that Iraq isn't hiding weapons it pledged to destroy after the Gulf war. Unscm chief Rich-

ard Butler plans to press Iraqi officials on the issue when he next visits Baghdad in mid-January.

Any attempt to inspect one of the palaces in early January could be seen as particularly provocative by the Iraqis because it would come during Ramadan, the holiest month on the Islamic calendar.

"We didn't stop for Christmas, why should we stop for Ramadan?" said an Unscm official who asked not to be identified.

The Clinton administration has refused to rule out military action against Iraq if it continues to deny access to the U.N. inspectors. But diplomats on the Security Council said they did not expect a military strike before the end of Ramadan

in late January.

"It would be suicide for the U.S. to attack during the holiday," said one Arab ambassador.

But several ambassadors from countries with seats on the council agreed there was little the world body could do to prevent a military attack.

The United States "has no choice," said a council member. "If Unscm is blocked again, military action is the only viable option left."

When asked whether the council might tighten economic sanctions on Baghdad, the diplomat replied: "What is there left to embargo? There is nothing."

Another ambassador, who asked

not to be identified, expressed irritation that a decision to inspect a presidential palace was made without consulting council members.

"I have enough headaches without this," he groaned when pressed for an opinion on the Unscm decision.

A senior Iraqi official said in New York that his government believes any U.S. attack would be aimed at facilities belonging to Saddam's elite Republican Guard.

"They missed most of these sites during the Gulf war," the official said. "For all the bombs they dropped, the Republican Guard bases were hardly scratched."

Van Moore
FON CHRONICLE

HAMPAGNE-MOUTON, France — In this idyllic village in wine region of western France, American murderer roams

He can sometimes be seen on streets in the mornings. At times, Ira Einhorn, the self-styled "Unicorn," who faces a life sentence for the 1977 beating of Texan Holly Maddux in Philadelphia, walks with nonchalant, middle-aged now, but still powerfully built, he strolls with his ruf Swedish wife. They shop for groceries in the air market, then walk across level bricks to the tobacco where he buys his International Herald Tribune newspaper. times they stop to make his weekly report to the local a. That accomplished, they

This 'Unicorn' roams freely in France

Convicted of murder in the U.S., American man can't be extradited

return for lunch in their pleasant home in the converted mill at Le Moulin de Gully.

Along the way, say the villagers, Einhorn always smiles. He nods to the townsfolk, offers an accented "bonjour," then passes on, leaving them with the memory of his buoyant, gap-toothed grin.

The grin is appropriate because the Unicorn may well have beaten the odds.

It comes as a disappointment but little surprise to Miss Maddux's relatives in Texas, Washington and Massachusetts, or to prosecutors who tried Einhorn in his absence in Philadelphia in 1993. Three times Einhorn nearly has

been within their grasp, and each time he has slipped away.

When a French judge found that his U.S. conviction in absentia did not conform with French law and refused his extradition three weeks ago, it marked the fourth.

"We've lived through this before," said Bully Hall of Reddon, Texas, Miss Maddux's sister.

"Somehow, that doesn't make it any easier," she said.

Throughout his 57 years, Einhorn has been defying odds. Once known as an eccentric, hippie genius of the 1960s, he emerged as a docile peacemaker between the counterculture and the establishment in Philadelphia.

He relied on his intellect. Unwashed hair and prevalent body odor notwithstanding, he used wit to seduce hundreds of women and secure a teaching post at Harvard University.

Then, in 1979, Einhorn shocked Philadelphia when he was charged with killing Miss Maddux, his girlfriend, and keeping her decaying body in a trunk in his closet for 18 months.

A coroner's report later would show the killer had inflicted at least a dozen skull fractures on the young woman. The force of blows broke her lower jaw and rammed it into her mouth.

The intelligentsia of the North-

east supported Einhorn. Lawyer Arlen Specter, who would later become a Republican U.S. senator, defended him. Einhorn maintained his innocence. He was free on a nominal bail of \$40,000 when, on the eve of his trial in 1981, he fled.

For years, the mercurial Einhorn appeared too smart to catch. Aided by a network of wealthy, influential friends, he stayed one step ahead of the police. He was spotted twice in Ireland and once in Stockholm, and each time he slipped away. Finally, faced with a stagnating case, Philadelphia prosecutor Joel Rosen tried Einhorn in absentia in 1993.

Then, in June, he was located in France and arrested.

The siblings of Holly Maddux breathed sighs of relief and, in Philadelphia, Rosen felt vindicated. As the months leading to his extradition hearing passed it appeared that Einhorn was finally about to be brought to justice.

But in that hearing on Dec. 4, French Judge Michel Arrighi heard America pilloried. Even if some of the facts were incorrect, they roused French resentment. Einhorn's lawyers spoke of America's death penalty being imposed on children and the mentally retarded, even though no death penalty applies in Einhorn's case. They asked if a small court might have the temerity to stand up to an inhumane, bullying nation such as the United States.

Mr. Arrighi, citing the fact that Pennsylvania's law does not provide for a second trial for Einhorn, set him free.

Can we do
anything
about this

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per now discussion w/ CRAIG VENTER

**SUGGESTED COMMITTEE MEMBERS TO DEAL WITH IMPACT OF
MICROBIAL GENOMICS ON BW OUTCOMES**

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THE WHITE HOUSE
WASHINGTON

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December 16, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

RE: PENSION PROPOSALS

*Under new group
for notes*

This memorandum describes several proposals that could be components of a new Administration pension package. The package would build on your success in advancing the broad goals of expanding pension coverage, improving benefit portability, strengthening retirement security, promoting retirement education, and building access and security for women -- these important goals will be the focus of a White House Summit this summer. There is consensus within the pension working group (Commerce, Labor, OMB, NEC, PBGC and Treasury) on the following five new proposals:

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- Expand payroll deduction IRAs through administrative and/or legislative action to encourage lower and moderate wage earners to save more for retirement.
 - Provide a tax credit to small businesses to encourage them to set up retirement programs. The two proposals currently under consideration are a flat credit of up to \$500, or a credit of 50 percent of up to \$2,000, for expenses incurred to establish a retirement program.
 - ✓ Require faster vesting of 401(k) employer matching contributions benefitting workers who change jobs most frequently, including lower paid and women workers.
 - ✓ Encourage employers to automatically enroll their employees in 401(k) plans, encouraging savings and greater participation.
 - ✓ Expand worker and spouse right-to-know about pension benefits.

In addition, with a bipartisan proposal pending in the House and Senate, your Administration may want to address:

- A new simplified defined benefit plan for small businesses. (However there is a disagreement on whether to recommend action to encourage development of a new defined benefit plan for small businesses. The issue is over whether the incentive for expanded pension coverage comes at too steep a price in terms of the likely regressive distribution of tax benefits.)

*Copied
Sperling
Bowles*

Any new pension package could easily include initiatives proposed by your Administration in the past, such as:

- Strengthen the security of pension plans by requiring that more pension plan assets be subject to audit.
- Expand fairness for lower and moderate wage workers by requiring a 1% contribution by employers in 401(k) plans that opt for relaxed nondiscrimination rules.
- Simplify rules and increase PBGC guarantees for collectively bargained multiemployer plans.
- Improve the Civil Service Retirement and Railroad Retirement systems to provide better protection to spouses.

I. EXPANDED ACCESS TO PAYROLL DEDUCTION FOR RETIREMENT SAVINGS

Background:

Employment-based retirement programs are the most effective current means of encouraging most workers to save for retirement, and tax-favored payroll deduction is a key mechanism of the popular 401(k) employment-based plan. Current high participation rates in 401(k) plans, even among employees who receive no match, suggest that a payroll deduction plan may be very effective. The proposal makes available to workers the following key elements of 401(k)-type plans, even where the employer is unwilling to adopt a retirement plan.

- the ease of saving through payroll deduction contributions that continue automatically after an employee's initial election;
- the "water-cooler" effect of a workplace arrangement, whereby peer group reinforcement can encourage savings; and
- the incentive of excluding employee-elected contributions from income for tax purposes (under legislative option), consistent with existing IRA income limits.

Proposal Options:

A payroll deduction proposal could be advanced administratively or legislatively, or as companions.

a) Administrative

Under current law, employers may permit employees to make payroll deduction contributions to an IRA, similar to a direct deposit mechanism. But very few use this mechanism: few are aware that the option is available; and some employers are concerned about potential fiduciary liability if they limit the number of financial institutions that can receive the contributions. The administrative proposal would include the following:

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- Publicize and promote the fact that payroll deduction contributions to IRAs are permitted under current law.
- The Department of Labor would state clearly that an employer could select a single financial institution to receive all employee IRA contributions under the arrangement without incurring fiduciary liability.
- Treasury/IRS in coordination with the Department of Labor would issue model forms to make it easier for employers to offer payroll deduction IRAs.

The Treasury, Labor, and Commerce Departments are communicating with the Chamber of Commerce, other employer representatives, payroll service companies, and others on this nonlegislative approach. Preliminary coordinated efforts with the Chamber of Commerce raise the prospect of collaboration and even perhaps a joint announcement of this initiative.

Pros:

- 1 win this*
- Small business community interest - possible joint effort with Chamber of Commerce.
 - Most likely effective in helping low and moderate income workers save.
 - Encourages greater use of an existing deductible savings vehicle without requiring creation of a new complex plan design.
 - Potential synergy with publicity on enacted IRA expansion effective in 1998.

Cons:

- Some may argue that the Administration should promote employer funded plans rather than IRAs.

Budgetary Cost: None.

b) Legislative

The proposed legislation would include the following elements:

- Agg* →
- Employer participation would be voluntary.
 - Payroll deductions would flow into IRAs and would be subject to the current law \$2,000 annual contribution limit.
 - Employers would exclude all employee contributions made through employer payroll deductions into IRAs from the employees' wages reported on W-2 forms for income tax purposes. (Contributions would be includable in wages for Social Security tax purposes, similar to current 401(k) contributions.) Providing an exclusion instead of a deduction means that most employees need not take any action on Form 1040 in order to get the tax benefit. This would help non-filers and could provide more "immediate gratification" than a deduction, which must be claimed on the employee's tax return. Individuals who are not eligible for current law deductible IRAs, but who use the IRA payroll deduction option, would have to add back the amount of the excludable contribution on their income tax returns.

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Pros:

- Contributions would be excluded from income for income tax purposes, creating a more meaningful incentive to low and moderate wage workers to save through this vehicle.
- Strong interest among some Congressional Democrats, particularly in the Senate.
- Same as pros above for Administrative proposal.

Cons:

- Possibly could reduce small business community interest in a joint effort with us.

Budgetary Cost: Negligible revenue effect.

Views of the Working Group:

General consensus is that this is a good idea. Group will have additional discussion with small business community regarding small business response to legislative option. The expectation is that the small business community would be neutral or supportive of the legislative proposal given that it is completely voluntary.

II. SMALL BUSINESS TAX CREDIT FOR RETIREMENT PLAN START-UP EXPENSES

Background:

Generally, an employer's costs related to setting up a retirement plan (e.g., payroll system changes, investment vehicle set-up fees, consultants fees, etc.) are deductible as ordinary business expenses. Though deductible, these costs still may pose a barrier to the establishment of new retirement plans, especially for smaller employers.

Proposal:

The current proposals would provide a one-time tax credit, in lieu of a deduction, for either up to \$500, or 50 percent of up to \$2,000, for costs incurred by a small business to set up a new 401(k), defined benefit (or other qualified plan), SIMPLE, SEP, or payroll deduction IRA arrangement. The proposal would sunset after three years.

NOTE: As discussed below, the Treasury Department is working on a package of additional pension proposals which will be considered by the working group. Among these proposals will probably be a new version of this small business tax credit.

Pros:

- Would reduce the employer cost for payroll deduction IRA arrangements or pension plans.
- Would make it easier for the Administration to encourage employers to make a plan available to employees.
- Would be a marketing tool for vendors to sell payroll deduction IRAs and other types of

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retirement programs to small businesses.

Cons:

- Could be viewed as unfair by employers that previously established plans or that have too many employees.
- Still may not provide enough incentive for employers to establish qualified retirement plans or SIMPLE plans.

Budgetary Cost: For the \$500 credit, \$5 million in FY 1999 and \$24 million over five and ten years (the credit sunsets after three). Revenue estimate for the 50 percent of \$2,000 credit forthcoming from Treasury.

Views of the Working Group:

The general consensus of the group is positive.

III. A SIMPLIFIED DEFINED BENEFIT PLAN FOR SMALL BUSINESSES

Background:

Over the past four years, your Administration has taken a series of statutory, administrative and educational actions to increase pension coverage, including coverage by small businesses. The most visible action was the development of the SIMPLE, a small business defined contribution plan that appears to be bringing thousands of businesses -- and tens of thousands of workers -- into the system.

Some have suggested that if it were possible to develop a simplified defined benefit plan -- one that reduced both cost and uncertainty -- some stable small businesses would establish such plans.

Representatives Nancy Johnson and Earl Pomeroy have introduced a bill to establish a simplified plan for small businesses known as the SAFE. In the Senate, the SAFE proposal has been introduced by Senators Graham, Hatch, and Grassley.

In response to our concerns about some features of the SAFE, including overall richness, distribution of tax benefits among income groups, and the lack of a guaranteed benefit level, members of the working group have been considering an alternative proposal. While no agency is advocating inclusion of this modified proposal in the FY 1999 budget, we all agree that if the Administration chooses to propose or support a simplified defined benefit-type plan, this proposal would be preferable to the original SAFE.

Proposal:

The proposal is essentially a defined benefit plan for employers with 100 or fewer workers. It has the following features:

- Each year, the employer contributes money to the account of each participant sufficient to fund a benefit at retirement equal to one or two percent of the employee's current year pay, assuming that the money set aside earns interest at 5% per year.

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- Each participant has a separate account, as in a defined contribution plan.
- Covers all employees over the age of 21 who had at least \$5,000 of W-2 earnings with that employer in any two preceding calendar years.
- The employer guarantees that the account earns at least 5% on a cumulative basis.
- Waives most non-discrimination limitations and requirements. The plans would have simplified reporting requirements and more predictable funding than current defined benefit plans.
- Under this plan, employers pay more per year for older workers than for younger workers.
- Proposal provides for a joint-survivor annuity, but participants would have the option of taking a lump sum.

Pros:

1. Shows a commitment to defined benefit plans and might get employers (who do not currently offer a defined benefit plan) and employees to reconsider the merits of such plans.
2. Attractive to small businesses because it is substantially easier and cheaper to administer than a defined benefit plan developed using current law safe harbors, and it lowers funding volatility.
3. Could be particularly beneficial for some older and/or low-income workers who are unable to save enough through a 401(k) or SIMPLE plan to provide for their retirement needs. For younger employees, it is a portable retirement benefit.
4. Combined with a SIMPLE can provide greater retirement balance for American workers. Even if stock market performance is disappointing, the value of the benefit would be maintained by the employer.
5. Unlike the SIMPLE, the employer makes a contribution for each eligible employee. During the time the plan is maintained, retirement benefits would accumulate for each employee meeting the minimum standards (over 21 with at least \$5,000 in W-2 earnings with that employer for two preceding years).
6. Would place on the employer not only the initial funding obligation but also the responsibility of ensuring a 5 percent rate of return on plan assets. A higher rate of return would in general result in a larger benefit for the employee.
7. Answers a political need, in that there is increasing pressure (1) from small businesses for a simplified defined benefit plan and (2) from pension activists for a commitment to defined benefit plans in general.
8. Even small business owners don't make much money (the typical income of a successful small business owner is \$80,000 per year), so the fact that a disproportionate part of the tax benefit goes to them should not be so upsetting.
9. Those small business owners who are trying to maximize their retirement and tax benefits, while

providing the minimum required benefits to employees, can already do so under current pension rules and regulations.

Cons:

1. Under the proposals, it seems likely that the lion's share of the tax benefits would inure to small business owners and that comparatively little would go to the lower- and moderate-wage workers who should be the main target population for any such tax incentives. Such a regressive distribution of benefits would be hard to justify as a matter of policy.
2. The plan's tax preferences are not targeted so as to maximize the increase in coverage; the plan would probably instead increase tax benefits for workers who are already covered. This type of plan may often be taken up by employers who shift their employees from (previously offered) money purchase or non-401(k) profit sharing plans which generally do not weight contributions based on age. These employers would be able to increase contributions for older employees without increasing their overall pension costs.
3. It is unclear whether, in a constrained budget environment, this is the best use of revenue to promote retirement savings. There are more efficient ways to channel retirement benefits to low-income workers, such as payroll deduction IRAs -- which would be better targeted to low and moderate-wage workers currently without coverage.
4. The need for a simplified small business defined benefit plan may be more rhetorical than real; the need is proclaimed by businesses and their consultants, not by workers or their advocates. We have just passed the SIMPLE, which appears to be catching on well as a small business plan, and there is little reason to add to the plethora of small business plans.
5. Even if we start with a modified proposal, we'll get SAFE or a more costly, top-heavy variant (e.g., the NEST-SIMPLE transformation) that may well not be a true defined benefit plan.
6. Given the demographics of small businesses, where the average tenure is three years and 40% of the workers potentially eligible for this type of plan are in fact not eligible because they are under 21 or do not have two years of service earning more than \$5,000, very little of the lower-wage portion of the target population would be covered. These workers would also not benefit from the PBGC guarantee, since it would be lost when they changed jobs and rolled their account balance into an IRA or spent it. Finally, many small business owners could be expected to terminate the plan on their retirement, limiting the opportunity for workers to build up a substantial benefit through employer contributions.
7. This type of plan's "defined benefit" is dependent on purchase of an annuity at retirement or at plan termination. The annuity market for individuals and small groups may well be over-priced, due to both high administrative costs and adverse selection, so the plan may be less effective than hoped in terms of actually providing a guaranteed benefit on retirement.

Budgetary Cost: \$109 million in 1999; \$845 million in revenue through 2003; \$2.074 billion through 2008.

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Views of the Working Group:

The working group has been unable to reach consensus on this proposal or possible variants.

The Department of Labor and PBGC recommend that support in principle for a simplified small business defined benefit plan be part of the State of the Union message (without advancing a detailed policy or legislative proposal at that time). SBA thinks the simplified defined benefit plan described above is a very good proposal.

Treasury, however, does not think it is a very good proposal. Treasury supports the general objectives of promoting retirement savings and expanding coverage to those without pensions, but views this proposal as poorly targeted to these objectives. Treasury will be coming forward with alternative proposals that advance these objectives.

CEA opposes this proposal, and is not certain whether it is possible to design an attractive simplified defined benefit plan for small businesses.

The NEC believes that given past and potential future Administration efforts to promote defined contribution plans for small businesses (e.g., the SIMPLE, payroll deduction IRAs), we should also take steps to encourage small businesses to adopt defined benefit plans. Accordingly, the NEC recommends endorsing the concept of a simplified defined benefit plan for small businesses and pledging to work with Congress, while laying out bottom-line criteria any such proposal would need to meet to be acceptable to the President.

IV. FASTER VESTING OF EMPLOYER 401(k) MATCHING CONTRIBUTIONS

Background:

Currently employee contributions to 401(k) plans are immediately vested. Employer matching contributions, however, are subject to general vesting requirements applicable to traditional defined benefit pension plans (5 years if vesting has a cliff, i.e., only occurs at the end of a time period; full vesting after 7 if vesting is graded, i.e., phased in over a several year period). If employer matching contributions vest over 5 years, an employee who switches jobs after four years loses all of those employer matching contributions. The long vesting requirement disproportionately affects women.

Proposal:

The proposal would require that all employees would be fully vested in the employer's matching contributions after three years of service. (Graded vesting would also be accelerated).

Pros:

- Would increase retirement security and improve design of 401(k) plans to better fit an increasingly mobile workforce.
- Has been introduced by House (Gephardt) and Senate (Daschle) Democrats.
- Women are particularly vulnerable to losing benefits due to frequent job changes.

Cons:

- Could lead employers to reduce matching or impose longer waiting requirements.
- Could increase employer costs and generate business opposition.

- Some would argue that 401(k) have been the fastest growing pension plans and, therefore, should not be burdened with additional costs.

Budgetary Cost: Negligible revenue effect.

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Views of the Working Group:

The general consensus of the group is positive. However, many in the group believe that the decision on whether to advance this proposal should be considered in the context of the overall package so as to balance pro-employee provisions and associated employer burdens against provisions which offer employers simplification and reduced burdens.

V. AUTOMATIC ENROLLMENT IN 401(K) PLANS

Background:

The general practice among 401(k) plans is to permit newly eligible employees to elect to make 401(k) elections by salary reduction. By default, therefore, an employee who takes no action does not participate in the 401(k) plan. However, a few companies instead provide for each newly eligible employee to make 401(k) salary reduction contributions automatically, unless the employee affirmatively chooses not to make such contributions. This switches the default from nonparticipation to participation.

For example, in a 401(k) plan that uses this automatic enrollment approach (sometimes called a "negative election"), an employee who becomes eligible for 401(k) contributions is automatically treated as electing to make 401(k) contributions equal to a fixed percentage of compensation and the employee's pay is reduced to reflect these 401(k) contributions. An employee is informed that contributions are being made at the set percentage of pay and is allowed to file an election to make no 401(k) contribution or to contribute at a different rate.

Questions have been raised about whether section 401(k) permits such automatic enrollment. This has reportedly deterred employers from adopting automatic election procedures.

Proposal:

Treasury is planning to issue a ruling clarifying that these automatic elections are permitted under current tax law to encourage employers to change the default option under the plan to 401(k) participation.

Pros:

- Automatic enrollment would increase the number of employees who save for retirement through 401(k) contributions.
- This result could be achieved without statutory change.
- Employers that were not interested in automatic enrollment would not be required to implement it.
- Would promote immediate participation of newly hired employees.

Cons:

- Some may misrepresent the ruling as authorizing employers to impose a mandate on employees, diverting part of employees' pay against their will. However, the ruling would

make clear that the employee must be free to elect not to participate.

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- Employers who currently offer matching contributions to induce low- and moderate-wage workers to participate in 401(k) plans might choose to cut back on these employer contributions and use automatic enrollment instead.
- Can raise appearance concerns where deferrals are automatically invested in employer stock. Recent legislation in this area should mitigate this potential risk.

Budgetary Cost: No revenue effect.

Views of the Working Group:

 The Group agrees this is a good idea and a useful item to include in a pension package (note this is an interpretive ruling, not a legislative proposal.)

CEA suggests a very modest tax incentive to businesses to encourage automatic enrollment at a rate of at least 2 percent of payroll, but always allowing employees to opt out. This would have the effect of making the tax officers of the company supporters of, rather than indifferent to, automatic enrollment. The working group raised concerns, but will explore it.

VI. PENSION RIGHT TO KNOW PROPOSALS

a) Periodic Benefit Statements

Pension plan participants and beneficiaries currently have the right to request, no more frequently than once a year, a statement showing the benefits accrued to them under the plan. Relatively few people request such statements.

Proposal:

The proposal would require defined contribution plans to provide statements at least annually. Defined benefit plan participants would receive statements at least every three years.

Pros:

- Participants would have a better idea of what their pension will provide them.
- This has been introduced by House and Senate Democrats, and has some Republican support.

Cons:

- Significant business opposition.
- Benefit level information expressed in nominal dollars may not be very meaningful for younger employees who are many years away from retirement.
- Accurately customizing data could be costly but providing non-customized data could be misleading to employees.

Views of the Working Group:

Additional work is needed to decide what information would be provided (accrued benefit versus projected benefit) and to what extent the statement would be based on exact participant data as opposed to estimates. Some members of the group suggest more frequent benefit statements for defined contribution plans and older participants.

b) 401(k) Fees

The Department of Labor is exploring the issue of disclosure of 401(k) fees.

c) Improved Spousal Disclosure in Defined Benefit Plans

Under defined benefit plans (and certain defined contribution plans) spouses have rights to a portion of benefits and must consent to any participant's waiver of these rights. However, plans are not required to provide spouses with the disclosure of benefit options that must be provided to participants.

Proposal:

The law would be changed to ensure that spouses can get a description of benefit options in order to make informed choices on how benefits should be distributed.

Pros:

- Ensures that spouses get information needed to determine the appropriate form of benefits.

Cons:

- Employers may object to paperwork burdens if separate mailing to spouse is required. The working group will explore alternatives that may lessen this risk.

Budgetary Cost: None, not pay-go.

Views of the Working Group:

Consensus to go forward.

VII. PREVIOUSLY PROPOSED INITIATIVES

DEPARTMENT OF LABOR PENSION AUDIT BILL

To advance our goal of greater pension security, we have previously proposed legislation to strengthen audits of pension plan assets. The proposal was reintroduced in the House on a bipartisan basis in July of 1997. It would subject more pension assets to periodic audits; currently, \$950 billion in pension plan assets are not subject to a meaningful audit. Our bill closes this loophole. (Negligible budget cost).

NON-DISCRIMINATION RULE CHANGES

The package could re-propose changes to the nondiscrimination rules that apply to retirement plans to conform the rules to the Administration's 1996 proposals. The versions of these proposals that were enacted by Congress provide less benefits and contributions to lower and moderate income workers than the original Administration proposals. One proposal would require employers who use the matching contribution safe-harbor for 401(k) plans that avoids any nondiscrimination testing to make an automatic contribution equal to 1% of pay to all participants. The proposal would not apply to the SIMPLE plan.

Pros :

- Increasing benefits for lower-income employees is an Administration priority.
- Included in Gephardt and Daschle bill.

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Cons:

- The Administration may be accused of reopening legislative provisions which were acted upon and compromised in 1996 and trying to go back to the drawing board as if that debate never happened.

*Chiy
Consent*

Budgetary Cost: Revenue loss of roughly \$50 million over 5 years and \$200 million over 10 years.

MULTIEMPLOYER AND PBGC CHANGES

We have previously proposed several changes to the rules relating to multiemployer (collectively bargained) plans and several PBGC initiatives, including:

- ✓ *11*
- Increase the PBGC guarantee for multiemployer benefits (\$17 million in outlays over 5 years).
 - Simplify some rules for multiemployer plans (revenue loss of \$63 million over 5 years; \$141 million over 10 years).
 - Expand PBGC Missing Participant Program.
 - Require a report on pension reversion to police raiding.

FEDERAL RETIREMENT PROGRAM REFORM PROPOSALS

The package could re-propose a series of changes to the Thrift Savings Plan and to the Civil Service Retirement and Railroad Retirement Systems that would enhance coverage and fill gaps in spousal protection (revenue loss of roughly \$60 million over five years and \$120 million over ten years and mandatory outlays of \$218 million over 5 years and \$461 million over 10).

Views of the Working Group:

OMB would prefer a TSP proposal that not only allows employees to begin contributing immediately, as under the previously submitted proposal, but also requires agency contributions to begin immediately. (Agency discretionary cost of up to \$300 million over five years.)

Addendum

Focus on improving retirement security for women

Women are less likely to be covered by a pension plan than men, and when covered, they usually receive smaller benefits because of lower career earnings and shorter job tenure. This package addresses these concerns by:

- providing faster vesting of 401(k) plan matching contributions helps women because they have shorter job tenure and are less likely than men to work for an employer who offers a defined benefit plan.
- encouraging payroll deduction IRAs would particularly help women because they are more likely than men to lack pension coverage, or work at part-time or short-tenure jobs;
- clarifying employers' ability to provide for automatic enrollment in 401(k) plans which would help more women get into the habit of saving;
- provide information for spouses to make better informed decisions about pension distributions.

The working group is also exploring additional proposals to change spousal notice or consent rules for defined contribution plans.

Discussion of increasing the 401(k) Contribution Limit

A recent USA Today editorial contended that older workers are not saving enough under their 401(k) plans and, therefore, suggested raising the dollar limit on 401(k) contributions (\$10,000 for 1998). The pension working group has not pursued this because increasing the dollar limit on 401(k) contributions would help very few employees -- mostly higher income -- and not many older workers either. Only about 5% of taxpayers between the ages of 50 and 65 years old who contribute to a 401(k)-type plan actually contribute the maximum amount.

A much better way to increase savings by employees is to increase access to 401(k) or similar plans and to encourage participation by low and moderate wage employees. Several proposals described above would advance this goal, including the payroll deduction proposals and the ruling on automatic enrollment in 401(k) plans.

Commencement of pensions at age 70 ½

A letter to the editor suggested that people over age 70 ½ who are still working should be allowed to wait until they retire before starting to draw benefits from their retirement plans. The letter, however, failed to point out that we have recently done most of this. Last year, Congress passed an Administration proposal allowing an employee who is in an employer-sponsored plan (other than an owner of the business) to wait until retirement from the employer sponsoring the plan before starting to draw benefits from that plan. The letter to the editor also appears to want to expand to IRAs the same ability to delay withdrawals until "retirement". This expansion would be inadvisable:

- regressive - wealthy individuals could delay receiving all of their employer plan benefits (including benefits from former employers' plans accumulated years before they could roll over into an IRA) by not "retiring," even if their continuing work is just minimal.
- the cost of this proposal would likely be in the many billions of dollars.