

WASHINGTON POST

Network Views

Anxious viewers probably won't be surprised at all to learn that in the past two years, 91 percent of the sources who have been interviewed on the network newscasts about the economy have delivered negative reports. . .

And since July, 96 percent of the economic evaluations and 83 percent of the predictions about the economy have been negative. . .

A survey by the Center for Media and Public Affairs says the economy has been the number one domestic news story on the networks in that two-year period, and behind only the Persian Gulf War and the fall of communism among all news subjects. . .

In 11 of the past 12 months, unemployment has been the top economic story, followed by the recession itself. Trade issues edged out the job story last month, however. . .

Since July five out of every six sources cited on network news have expressed anxiety over future economic developments. "This aspect of the coverage also produced the only major difference among the networks," the center pointed out. "A majority (53 percent) of sources on ABC expressed optimism about future developments, while 52 percent of sources on NBC and 69 percent on CBS were pessimistic" . . .

The center noted that three regular features of the nightly news shows—"ABC World News Tonight's" "American Agenda," "CBS Evening News's" "The Money Crunch" and "NBC Nightly News's" "The Daily Difference"—have become factors, as the networks now often "personalize" economic news in those segments. . .

Between October 1990 and September 1992, the nightly newscasts on ABC, CBS and NBC devoted 2,531 stories and 63 hours 36 minutes of air time to the economy, says the center. NBC was far and away the most dogged, devoting more than 26 hours to economic stories compared with about 18 hours' worth on both CBS and ABC. . .

TO: SENATOR DOLE
FR: KERRY

RE: ATTACHED IS SOME MATERIAL FOR POSSIBLE USE ON THE STUMP.

THANK YOU. IT'S A PRIVILEGE TO BE HERE TO LEND MY SUPPORT
TO SUCH AN OUTSTANDING CANDIDATE.

IN JUST A FEW DAYS, AMERICANS WILL GO TO THE POLLS TO ELECT
A NEW CONGRESS, AND TO ELECT A LEADER OF THE FREE WORLD.

THE MEDIA TELLS US THAT THIS ELECTION IS ALL ABOUT CHANGE.
I DON'T AGREE WITH THE MEDIA VERY OFTEN--BUT I THINK THEY'VE
FINALLY GOTTEN SOMETHING RIGHT.

THIS ELECTION IS ABOUT CHANGE. WHAT TYPE OF PRESIDENT CAN
LEAD AMERICA IN A CHANGING WORLD. AND WHAT TYPE OF CONGRESS WILL
CHANGE THE STATUS QUO ON CAPITOL HILL.

GOVERNOR CLINTON SAYS HE'S THE CANDIDATE OF CHANGE. AS
PRESIDENT BUSH POINTED OUT IN LAST NIGHT'S DEBATE, IT'S FAIR TO
LOOK AT HIS RECORD IN ARKANSAS TO SEE HOW HE WOULD CHANGE
AMERICA. AND WHEN YOU DO SO, YOU'LL DISCOVER THERE'S A BIG
DIFFERENCE BETWEEN "CLINTON FICTIONS"--WHAT HE SAYS AND "CLINTON
FACTS"--WHAT HE'S DONE.

THE CLINTON FICTION IS THAT HE AND SENATOR GORE PROMOTE
THEMSELVES AS THE SAVIORS OF THE ENVIRONMENT. THE CLINTON FACT
IS THAT ARKANSAS RANKS 50TH--DEAD LAST--IN THE COUNTRY FOR THE

QUALITY OF STATE ENVIRONMENTAL POLICY INITIATIVES.

THE CLINTON FICTION IS THAT HE SAYS HE WANTS TO WANTS TO REFORM EDUCATION. THE CLINTON FACT IS THAT ARKANSAS IS 47TH IN THE NATION IN PER CAPITAL STATE AND LOCAL SPENDING ON EDUCATION, 46TH IN TEACHER'S PAY, AND THEY HAVE THE FIFTH HIGHEST ADULT ILLITERACY RATE IN THE NATION.

THE CLINTON FICTION IS THAT HE HAS THE ANSWERS TO AMERICA'S HEALTH CARE CRISIS. THE CLINTON FACT IS THAT ONE IN FOUR ARKANSANS HAVE NO HEALTH INSURANCE--COMPARED TO ONE IN SEVEN NATIONWIDE--AND THAT ARKANSAS RANKS 45TH IN THE NATION IN TERMS OF OVERALL WELL-BEING OF CHILDREN.

THE CLINTON FICTION IS THAT HE WILL BE TOUGH ON CRIME. THE CLINTON FACT IS THAT ACCORDING TO THE U.S. DEPARTMENT OF JUSTICE, ARKANSAS RANKS 50TH IN PER CAPITA SPENDING ON POLICE PROTECTION.

THE CLINTON FICTION IS THAT HE'S CONCERNED ABOUT JOBS. THE CLINTON FACT IS THAT HIS PLATFORM OF DRASTIC DEFENSE CUTS, A 7% PAYROLL TAX FOR NATIONAL HEALTH CARE, AN INCREASE IN THE AUTO FUEL EFFICIENCY STANDARDS, AND A 1.5% PAYROLL TRAINING TAX WILL COST MILLIONS OF AMERICANS THEIR JOBS, AND BANKRUPT SOME SMALL BUSINESSES.

THE CLINTON FICTION IS THAT HE'S FOR GOVERNMENT "INVESTMENT"

NOT GOVERNMENT SPENDING. THE CLINTON FACT IS THAT HE'S PROPOSED A FEDERAL SPENDING INCREASE ALMOST THREE TIMES LARGER THAN WALTER MONDALE'S AND MICHAEL DUKAKIS'S COMBINED.

THE CLINTON FICTION IS THAT HE WILL BE A STRONG LEADER OF THE FREE WORLD. THE CLINTON FACT IS THAT HIS ONLY FOREIGN POLICY CREDENTIAL IS A COLLEGE-AGE JOB AS A CLERK ON THE SENATE FOREIGN RELATIONS COMMITTEE.

THE CLINTON FICTION IS THAT PRESIDENT BUSH HASN'T DONE ANYTHING TO IMPROVE AMERICA'S ECONOMY DURING THIS GLOBAL SLOWDOWN.

THE FACT IS THAT TIME AND AGAIN THE PRESIDENT HAS PROPOSED PLANS TO STIMULATE THE ECONOMY AND TO INCREASE JOBS, BUT CONGRESS HASN'T ACTED.

AND THAT LEADS TO ONE OF THE BIGGEST FICTIONS OF THIS YEAR. AND THAT'S THE DEMOCRAT PARTY FICTION THAT THEIR CONGRESSIONAL CANDIDATES ARE THE "CANDIDATES OF CHANGE."

THE PARTY OF CHANGE? WHEN THEY'VE CONTROLLED THE HOUSE, LOCK, STOCK, AND BARREL FOR 37 CONSECUTIVE YEARS, AND 56 OF THE LAST 60.

THE PARTY OF CHANGE? WHEN THEY'VE CONTROLLED THE SENATE FOR

50 OF THOSE 60 YEARS.

THE PARTY OF CHANGE? WHEY THEY HAVE THE POWER TO PASS ANY LAW THEY WANT, YET CHOOSE TO SPEND THEIR TIME FIGURING OUT WHO WAS ASLEEP AT THE WHEEL IN THE HOUSE BANK AND THE HOUSE POST OFFICE?

THE PARTY OF CHANGE? WHEN THEIR HOUSE AND SENATE MAJORITIES HAVE DONE THE BIDDING OF SPECIAL INTERESTS AND KILLED NEARLY EVERY ONE OF PRESIDENT BUSH'S ATTEMPTS AT CHANGING THE STATUS QUO.

A CRIME BILL THAT SUPPORTS VICTIMS AND NOT CRIMINALS?..."NO WAY," SAID THE AMERICAN CIVIL LIBERTIES UNION...AND THE DEMOCRATS KILLED THE BILL.

REFORM OF OUR EDUCATION SYSTEM, SO THAT OUR KIDS WILL BE BETTER ABLE TO COMPETE IN OUR GLOBAL ECONOMY? "NOT A CHANCE" SAID THE A FEW POWERFUL LEADERS OF THE TEACHER'S UNION...AND THE DEMOCRATS KILLED THE BILL.

FIXING OUR OUTDATED PRODUCTS LIABILITY SYSTEM, WHICH IS A NIGHTMARE FOR SMALL BUSINESS, BUT A BONANZA FOR ATTORNEYS? "OVER OUR DEAD BODY," SAID THE AMERICAN TRIAL LAWYERS ASSOCIATION...AND THE DEMOCRATS KILLED THE BILL.

CHANGING OUR ELECTION LAWS--GETTING RID OF POLITICAL ACTION COMMITTEES--SO THAT CHALLENGERS WOULD BE ON A LEVEL PLAYING FIELD WITH INCUMBENTS? "KISS THAT ONE GOODBYE" SAID THE CONGRESSIONAL INSIDERS...AND THE DEMOCRATS KILLED THE BILL.

WHEN YOU GO INTO THE VOTING BOOTH THIS ELECTION DAY, I WANT YOU TO IMAGINE TWO FUTURE IN YOUR MIND. THE FIRST FUTURE IS ONE WITH GOVERNOR CLINTON AS PRESIDENT, AND A HOUSE AND SENATE CONTROLLED BY THE DEMOCRATS.

YOU DON'T HAVE TO GO TOO FAR BACK TO REMEMBER WHAT HAPPENED TO THE UNITED STATES THE LAST TIME WE TOOK A CHANCE ON A DEMOCRAT PRESIDENT WITH LACK OF EXPERIENCE ON NATIONAL AND INTERNATIONAL ISSUES, AND GAVE HIM A DEMOCRAT CONGRESS. WHAT WE GOT WAS 20% INTEREST RATES, 13% INFLATION, GAS LINES, DANGEROUS CUTS IN THE MILITARY, AND THE BACK OF THE HAND OF EVERY DICTATOR ACROSS THE GLOBE.

WHAT WILL HAPPEN IN THE FIRST 100 DAYS OF A PARTNERSHIP BETWEEN PRESIDENT CLINTON AND A DEMOCRAT CONGRESS? TAX INCREASES...SPENDING INCREASES...LARGER DEFICITS...MORE REGULATIONS...NATIONALIZED HEALTH INSURANCE...IRRESPONSIBLE DEFENSE CUTS...TAXPAYER FINANCED ELECTIONS...AND JUDGES WHO ARE CLEARED BY TED KENNEDY.

THE WAY TO GET REAL CHANGE...MEANINGFUL CHANGE...IS TO RE-

ELECT PRESIDENT BUSH AND TO GIVE THE REPUBLICANS CONTROL OF THE HOUSE AND SENATE. I CAN PROMISE YOU THAT WITHIN 100 DAYS, THE FOLLOWING THINGS WOULD HAPPEN:

A BALANCED BUDGET AMENDMENT TO THE CONSTITUTION WOULD PASS.

AN AMENDMENT GIVING THE PRESIDENT THE POWER TO ISSUE A LINE ITEM VETO WOULD PASS.

THE BLOATED CONGRESSIONAL BUDGET WOULD BE CUT.

A CAPITAL GAINS TAX CUT WOULD PASS.

CAREER CRIMINALS AND DRUG KINGPINS WOULD BE PUT ON NOTICE THAT THEIR TIME IS UP.

POLITICAL ACTION COMMITTEES WOULD BE ELIMINATED.

IT TOOK POLAND'S PARLIAMENT JUST TWO WEEKS TO ENACT THE MEASURES NEEDED TO CONVERT THEIR COUNTRY FROM SOCIALISM TO CAPITALISM. SURELY WE CAN MAKE ALL THOSE REFORMS I LISTED--AND MORE--WITHIN 100 DAYS.

SO I ASK YOU TO IGNORE THE FICTIONS AND TO LOOK AT THE FACTS. AND THE FACT IS THAT REPUBLICAN POLICIES OF PEACE THROUGH STRENGTH HAVE CHANGED THE WORLD. AND IF YOU RE-ELECT PRESIDENT

BUSH AND GIVE HIM A REPUBLICAN HOUSE AND SENATE, THEN OUR POLICY
OF GIVING POWER TO THE PEOPLE AND NOT THE BUREAUCRACY CAN CHANGE
AMERICA.

October 9, 1992

USTR Hills, Secretary Madigan and others are in Brussels this weekend for talks with the EC that may result in an agreement on the oilseeds dispute and some kind of agreement or commitment on the Uruguay Round of GATT negotiations.

The President is apparently pushing for some kind of GATT agreement -- perhaps an outline or framework. However, most US commodity groups, in solidarity with the soybean producers, have said they won't support a GATT deal until the EC is forced to change its oilseed regime which hinders US soybean exports and agrees to some compensation for past damages.

Therefore, the US team needs a deal on oilseeds to be successful on GATT.

Senator Leahy and (more recently) Governor Clinton have issued statements such as the attached which hammers the Administration either way. No deal and the Administration is too rigid. Deal and they have caved in to the wily Europeans.

Without details there is nothing much to be said. However, it might be useful to note that experts such as Carol Brookins, President of World Perspectives, a Washington ag trade group and think tank, have written that the Carter Administration in the Tokyo Round of talks essentially gave up trying to get the EC to reform agriculture (previously a high priority) and the EC then began expanding into what is now a huge subsidy program which has stolen markets from competitive countries like the U.S.

If the Bush Administration can get the EC to begin a reversal of these subsidies, however slowly, the US stands to take back world markets in wheat and feed grains.

There will be six billion consumers of food in the world in the year 2000 -- 80 percent of them in the developing world. If the Uruguay Round can lower current subsidies -- especially export subsidies -- and prevent other subsidy programs from beginning, the winners will be the large scale, competitive producers.

enforcement of fair labor standards; third, the rule of origin, to make sure products are not simply labelled "Made in Mexico" in order to take advantage of NAFTA; fourth, the resolution of disputes over trade matters; and fifth, adjustment assistance for U.S. workers, firms and communities.

We simply cannot continue to enter into trade agreements which are not vigorously enforced or to permit the continued trading away of U.S. jobs.●

GATT NEGOTIATIONS

● Mr. LEAHY. Mr. President, with election day fast approaching, the administration appears to be making an all-out effort to reach an agreement in the General Agreement on Tariffs and Trade [GATT] before the voting starts. High level meetings are scheduled in Europe this weekend.

Throughout the last six years of the Uruguay round of GATT negotiations, the Europeans have been shrewd, patient bargainers. While they see benefits in freer trade, the Europeans are unwilling to give more ground than they need to simply to reach an agreement.

Their strategy seems to work. The Europeans appear to be tough, pragmatic negotiators, protecting their national interests. But their U.S. Administration counterparts have often been ideologically rigid without regard to their impact on important American industries, including agriculture. Now the Administration seems all too willing to modify their position just to get an agreement—any agreement.

At some point all sides must give if a GATT accord is reached. But a bad agreement is worse than no agreement at all. By rushing to finish by election day just to bolster the President's trade record, Administration negotiators are simply increasing the likelihood that our country will be stuck with a bad agreement that will affect U.S. farmers and workers long after the final ballots are counted.

My advice to the administration is this. Do not cut a GATT deal if it is not in the best interests of all Americans. Forget about the election; do what is right for our country.●

CONSULTANT LICENSING

● Mr. PRYOR. Mr. President, I rise today to discuss an issue I have focused on for 14 years: the use of contractors and consultants by the Federal Government. Since I discussed offering my contractor licensing amendment to the Labor-HHS Appropriations Bill and explained it then, I will keep my remarks on this amendment to a minimum.

However, I will speak somewhat longer about why I feel so strongly that the time has come for us to reform a system that has been operating beyond congressional control. I cannot stand-by while misrepresentations are circulated about an idea that is de-

signed to reduce the waste and abuse of millions of tax dollars.

Mr. President, my amendment requires that each contractor who wants to provide certain services to the federal government apply for and receive a license. This office will collect information and grant or deny the license. The types of services covered by my amendment are: First, management and professional services; second, studies, evaluations, and analyses; third, engineering and technical services (excluding routine engineering services like building a bridge or designing a computer system); and fourth, research and development.

Mr. President, this amendment is directed specifically at those contractors that the federal agencies have relied upon to perform their basic management work of budgeting, planning, procurement or other policy functions. These consultant services account for roughly \$9 to \$20 billion spent on service contracts in Fiscal Year 1990.

Mr. President, briefly stated, that is what this amendment seeks to do. The purpose is to increase the sunshine on federal spending and create greater accountability.

Now let me turn to the arguments against my amendment. First, opponents state that the amendment would impose a costly regulatory burden when the nation is struggling to create jobs and improve the economy. They say it would create barriers and drive contractors away.

Mr. President, the fact is that this amendment would centralize information that contractors *already* submit when they bid on contracts. Contractors would *not* have to develop masses of new information to qualify for a license. The amendment requires a cost comparison between contractor and government employees and prevents contracting for inherently governmental functions. These changes do not create barriers; they protect the government and the taxpayers.

The second objection is that the amendment would create a new government bureaucracy and force contractors to hire people to deal with this new license requirement.

Mr. President, this objection seeks to mask the need to take real action. The Office established to administer the amendment would be relatively small with roughly 10 to 15 staff members. In fact, when we look at the number of federal employees engaged in awarding contracts it seems prudent to have one small office set aside to carefully and independently review these contractors. Furthermore, as I stated earlier, since the contractors already submit this information when bidding on contracts, the contractors will not have to hire new staff to deal with the licensing.

Mr. President, a third argument against my amendment is that small business would be adversely affected.

While I can understand opponents to my amendment using the issue of pos-

sible harm to small businesses for political reasons, there is absolutely no basis for this concern. Small businesses will not be adversely affected. The amendment does *not* change the rules applying to small businesses. The amendment does not change the 8(a) program or any other program relating to small business. In fact, I am convinced that with more sunshine in this area of federal contracting, the system will provide more opportunity for small businesses to effectively compete for legitimate government contracts.

Finally, Mr. President, one part of my amendment has generated a great deal of concern among the consulting firms. My amendment would require a cost comparison between government employees and private contractors be done before a contract for consulting services could be awarded.

Mr. President, why are the consulting contractors afraid of this provision? The short answer is that cost comparisons by GAO and several IGS have proven that consulting service contractors are more expensive than government employees. The consultants apparently do not want this fact to become too well known.

Mr. President, I am not a supporter of red tape. I am not in favor of new bureaucracies. While I don't support red tape and bureaucracy, I do support the taxpayer. When it comes to protecting the interests of the taxpayers, I do not mind making it a little harder to receive federal dollars. When it comes to spending hard earned tax dollars, I want to be able to assure the taxpayers that we are carefully monitoring every dollar and we are not allowing contractors to bill the government for drafting congressional testimony.

Furthermore, Mr. President, this industry is booming. Government contracting has grown from a \$40 billion industry in 1980 to a \$90 billion industry in 1990. It appears to me these contractors are more than able to wade their way through the red tape and find out where the money is. Again, the information required to apply for a license is very similar to the type of information that contractors already submit. The difference is that the information will be centralized and given an independent review. This booming industry will hardly notice this modest new requirement.

Mr. President, I think I have responded to the objections to my amendment, however, I would like to point out that I have not been contacted directly by anyone voicing his or her concerns. If these issues are of such concern, why has no one contacted me with any substitute language to address these problems? If small businesses are affected, why has no one from the consulting industry submitted language to ensure that small businesses are protected? If the process of applying for and receiving a license appears too cumbersome, why

BOB DOLE
KANSAS

United States Senate

OFFICE OF THE REPUBLICAN LEADER
WASHINGTON, DC 20510-7020

October 14, 1992

Governor Bill Clinton
The Governor's Mansion
Little Rock, Arkansas 72201

Dear Governor Clinton:

In less than three weeks, the American people will exercise their most important responsibility. It is a responsibility that they have borne for more than two hundred years, and it has been paid for dearly by the sacrifices of our Nation's sons and daughters. In your lifetime you have witnessed the successful struggles of people here and abroad for this precious right -- the right to vote.

But this precious franchise could be tarnished if the voters of our country are deprived of the information they need to make an informed decision. That is why I am writing to you with this urgent appeal: Please immediately release all your personal documents relating to your draft situation. You and your aides have previously acknowledged having such documents, and on April 17 you publicly committed to release them. (See attached stories from the Associated Press dated April 17, 1992, September 2, 1992, September 7, 1992 and September 15, 1992; from the Boston Globe dated September 6, 1992; from "U.S. News & World Report" dated September 28, 1992; and from the Los Angeles Times dated September 26, 1992). Although you have declined to identify the documents you have, I call upon you to release whatever you might have, including any and all correspondence with the draft board, Selective Service System (including its Arkansas Director, Colonel Willard A. Hawkins), Reserve Officers Training Corps, the Army, the Navy, the Air Force, the Marines, the Coast Guard, the United States Departments of State and Justice, any United States or Foreign Embassy or Consulate, Senator Fulbright or his office, Governor Rockefeller or his office, friends (including Cliff Jackson), relatives (including your mother and your Uncle Raymond Clinton), Henry M. Britt, and any other acquaintances with whom you discussed your draft situation.

History has demonstrated that one of the most important issues to voters is the character of each candidate -- and well it should be. The President of the United States is in a unique position of trust: he must do the work of the American people at home, represent them before the world, and command the most powerful military the world has ever known. Domestically, he must deal candidly with the public, the Congress, and the press on a wide range of issues. During an international crisis requiring the use of force, he holds the authority to commit Americans to battle; in those situations, he must possess the

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moral authority to motivate troops who are literally offering their lives for their country. I am deeply and sincerely concerned that critical information on this fundamental trust issue is being withheld from the voters by you and your staff. And let me repeat something I have said publicly before: the issue as far as I'm concerned is not whether you served in the military or served in Vietnam. The issue is credibility and trust.

Please understand that this is not a partisan request. The American people deserve answers to the questions surrounding your draft situation. In fact, editorial writers for major papers have concluded:

- ♦ "Clinton's credibility is a legitimate part of the election-year 'character issue.'" (The Plain Dealer, September 6, 1992)
- ♦ "The debate over Bill Clinton's draft history is becoming clearer, despite the candidate, and it makes his assertions seem even more disingenuous than they did before. ... Clinton's campaign explanations for how we just happened to avoid it all don't have any credibility." (Chicago Tribune, September 23, 1992)
- ♦ "Whatever their feelings [about the Vietnam War], voters are rightly interested in how national candidates reacted to the demands imposed by the wars of their time. ... The evidence remains incomplete, but in the view of the Governor's confusing responses some of the doubt may fairly be resolved against him." (New York Times, September 16, 1992)
- ♦ "One can edit and adjust and weave only so many stories before it becomes hard to tell where the stories end and reality begins." (Arkansas Democrat Gazette, September 9, 1992)
- ♦ "Gov. Bill Clinton is again facing nagging questions about his draft record because he failed to give a completely candid account of his experience as related to his efforts to save himself from service in Vietnam" (Boston Globe, September 5, 1992)
- ♦ "The question is not about Clinton's military record or lack thereof. It is about his basic truthfulness when he seems to be unable to answer the simplest inquiry." (Houston Chronicle, September 5, 1992)

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♦ "It all boils down to a question of trust. Bill Clinton is still entangled in the confusing stories he has told about his Vietnam era draft status" ("U.S. News & World Report," September 21, 1992)

Governor, you cannot resolve this issue by ignoring it, or talking around it.

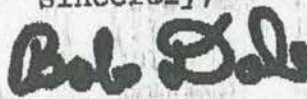
Major revelations, such as the Los Angeles Times article on September 26, 1992, continue. An increasing list of important questions remain unanswered. You could go a long way toward answering them -- and removing this cloud on your integrity -- by releasing all documents in your possession, custody, or control bearing upon your draft situation. Although you initially agreed to make your personal files available, the Associated Press reported on September 15: "Despite repeated requests, Clinton has refused to release his personal papers, or even say whether he still has the induction notice."

By suppressing these documents, you are further tarnishing your own credibility. Your refusal to release the documents can only lead to the inference that they would undermine your most recent version of events. Voters will understandably conclude that, if the documents supported your position, you would promptly release them.

Governor Clinton, you have previously stated that the best way for office seekers to handle questions about their military records is "to disclose the facts and let people make their judgments on it." (Arkansas Gazette, August 25, 1988). That is exactly what I am calling upon you to do today.

After you consider this request, I am certain you will immediately take the only action that is honorable and respectful of the American voters, and release your documents.

Sincerely,



BOB DOLE
U.S. Senate Republican Leader

enclosures

SENATOR:

Re: material from Bush/Quayle campaign on Clinton's travels/anti-war activities while at Oxford.

The material the campaign sent over is attached. As is apparent from Bush's various appearances/interviews, this material is the basis of the "theme" for the next few days.

There is some "smoke" here, but not much "fire." The material can have some impact, but -- unless more emerges (and the search for it is frantic), this is certainly not going to sink Clinton. Moreover, it is flimsy enough that it has to be very carefully used, or it can backfire. Frankly, I don't think Bush used this stuff very effectively on Larry King and other appearances yesterday -- he really did come across as sounding, as the Clinton campaign charged, a bit desperate.

Specifically, unless we have harder evidence, I don't think you can get away with an attack on Clinton's "patriotism." What should be stressed and repeated, instead, is that Clinton needs to come clean and quit hiding the truth.

Suggested talking points attached.



AL

Talking points

○ IT APPEARS HE WAS SORT OF IN JANE FONDA'S CLASS AS AN ANTI-WAR DEMONSTRATOR. THEY WERE KIND OF THE "KEN AND BARBY" OF THE ANTI-WAR SET.

○ WHAT WAS BILL CLINTON DOING IN MOSCOW AND CZECHOSLOVAKIA, ANYWAY? THIS "SELECTIVE AMNESIA" HE IS DISPLAYING WON'T WASH. WHO PAID FOR HIS TRIP? WHO DID HE MEET? DID HE MEET WITH ANY RUSSIAN/CZECH OFFICIALS? WAS HE CONCERNED ABOUT BEING SET UP AS A "DUPE" BY RUSSIAN/CZECH INTELLIGENCE?

○ WASN'T HE CONCERNED ABOUT CAVORTING IN MOSCOW, WHILE THE RUSSIANS WERE SUPPLYING THE NORTH VIETNAMESE WITH THE WEAPONS TO SHOOT AMERICAN FLYERS OUT OF THE SKY?

○ DIDN'T HE HAVE ANY QUALMS ABOUT ENGAGING IN VICIOUSLY ANTI-AMERICAN DEMONSTRATIONS IN FOREIGN COUNTRIES? PROTESTING THE WAR IS ONE THING -- VILIFYING YOUR OWN COUNTRY IS ANOTHER.

○ WE'RE NOT TALKING ABOUT PEACEFUL MARCHES, WITH ANTI-WAR SIGNS. WE'RE TALKING ABOUT MOBS ASSAULTING THE AMERICAN EMBASSY, DUMPING COFFINS ON THE DOORSTEP OF THE CHANCERY, IN THE MIDST OF PROCESSIONS WITH VICIOUS AND FILTHY ANTI-AMERICAN SIGNS AND CHANTS, IS ANOTHER.

○ WHEN HE WAS ASKED ABOUT RUMORS HE WAS SHOPPING AROUND FOR CITIZENSHIP IN SOME OTHER COUNTRY, TO AVOID THE DRAFT, HE SAID "THAT'S RIDICULOUS." HOW ABOUT SAYING INSTEAD: "IT'S NOT TRUE, PERIOD. AND IF ANYONE CAN COME UP WITH ANY EVIDENCE TO THE CONTRARY, I'LL PULL OUT OF THE PRESIDENTIAL RACE."

○ IT'S BASICALLY LIKE THE DRAFT ISSUE HERE AT HOME: HE'S CHANGED HIS STORY, WAFFLED, DUCKED, BLUSTERED -- BUT NEVER COME CLEAN.

○ IF A REPUBLICAN CANDIDATE DID WHAT CLINTON IS DOING, THE MEDIA WOULD MURDER HIM. IF THE MEDIA'S NOT GOING TO DO IT'S JOB, THAN WE WILL. ONE WAY OR THE OTHER, THE AMERICAN PEOPLE ARE GOING TO KNOW THE TRUTH.

FAX



FAX

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urgent!!

TO:

Al Lehn

FROM:

ALIXE GLEN
Deputy Director, Communications

DATE:

10-7-92

PAGES TO FOLLOW:

(8)

SUBJECT:

(Clinton info re Moscow)

COMMENTS:

PLS. Pass to the Senator (ASAP)
per his discussion
with Charlie Black

Thank you!

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Talking Points for Senator Dole

Bill Clinton spent 5 days in Moscow in early 1970, the height of American involvement in Vietnam. Clinton prides himself on his command of details. Now, he says he can't remember what he did or who he met with. Once again, we are faced with serious questions about Clinton's judgment and character:

Clinton traveled to the Soviet Union six weeks after he helped organize the March of Death in London -- the anti-war rally in which he carried a cardboard casket. In fact, he helped organize 3 anti-war rallies in 3 different countries.

- Is he really naive to think he was just another tourist? Doesn't he realize he was prime fodder for the KGB -- a Rhodes scholar with little or no patriotism?

Clinton says his visit came at a time of "good relations" between the U.S. and the U.S.S.R. It also came a time when the Soviets were supplying weapons to the North Vietnamese and helping them shoot American pilots out of the sky.

- How could a war protestor be so out of touch with what was happening in Vietnam?

Clinton says he was just a student and he paid for the trip himself. This was before the Soviets devalued their currency; the ruble and the dollar were traded one-to-one. And the Soviets made Americans pay exorbitant prices for food and lodging.

- How could a poor little country-boy from Hope, Arkansas, afford such an expensive trip?

Clinton portrays himself as the innocent abroad, but his trip began with a meeting of anti-war protestors in Switzerland, and ended with a visit to Czechoslovakia, the heart of Soviet oppression in the Iron Curtain in 1969 and 1970.

- Had he forgotten about the Prague Spring of 1968?

Clinton was in a rush in 1969 to get back to Oxford to complete his Rhodes scholarship -- so much that he gave up his Army ROTC deferment and reneged on his promise to study law at the University of Arkansas. Now, we know his courses at Oxford.

- What did he do during his second year at Oxford? Skip his master's and go for a doctorate in Zhivago?

Governor Clinton owes us an explanation for these and other unanswered questions about his actions during that time. The American people want a President who is accountable for his actions -- not someone who suffers from selective amnesia.

8:23 No. 001 P. 03

Oct 07'92

TEL:

PEACE EYES

Richard McSorley, S.J.



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Oct 07'92 8:23 No.001 P.04

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TEL:

PEACE EYES is a publication of the Center for Peace Studies. The Center works to integrate Faith, Action and Research into the process of peace.

The Center for Peace Studies offers resources for peace teaching including slide shows, tapes, printed material, taped lectures, and resource people to develop peace themes to supplement the work of interested groups and teachers.

Library of Congress Card Catalogue Number 77-9240
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Printed in U.S.A.
First Edition

Cover designed by Charlotte Lewis.

...FORWARD...

When I got off the train in Oslo, Norway, I met Bill Clinton of Georgetown University. He asked if he could go with me visiting peace people. We visited the Oslo Peace Institute, talked with conscientious objectors, with peace groups and with university students. At the end of the day as Bill was preparing to leave, he commented, "This is a great way to see a country!"

I thought at the time that his words summarized what I wanted to say in this book. To see a country with a peace focus, through the eyes of peace people is a good way to travel, a good way to see a country and the world. Peace people focus on the relationship of church and state and gospel teaching (if they are Christians.) This book allows the reader to see something of their vision through their eyes. That is why it is called "Peace Eyes."

I visited Europe, Africa, South America, Eastern Europe and Asia. I went to the Soviet Union and Israel as tour leader for a travel agency, Catholic Travel Inc. of Washington, D.C.

To Europe, Africa and South America I went alone on my own schedule and spent about a year.

Rather than a treatise on peace and its relation to faith, to church and to the state, this book tries to give the peace vision through the eyes of the people on the five continents I visited and in their work and lives.

I am grateful to Chris Brown for her assistance and encouragement in preparing this book.

Richard McSorley, S.J.

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During the walk his dog jumped into a lake; Bruce threw a stick far out over the water and the dog swam to retrieve it.

In our discussion he mentioned that the people at *Slant* feel that every bishop is bad and malicious and that they are acid in their criticism. He said they have gone too far in their criticism.

I told him that I had seen only one issue of the magazine and that there was an article there by Fr. McCabe on the meaning of the priesthood which I thought was excellent. It spoke of the priest as being part of the Christian revolution which was to make the gospel known and that the priest is not merely a member of the Catholic Christian Community, but also a member of the human community. His special feature is that he is both witness to the revolutionary gospel within the community and to the world at large.

Bruce asked me about my peace course; he was very interested. He said that since the Jesuits are moving from Heathrop, some distance outside London, to the city, and because they are going to be affiliated with the London University, he thought it would be a wonderful idea if some course like mine on War and Peace could be introduced.

He pointed out that at a British school, a person studies just one subject. If he takes history or literature, he takes only that. He does not have a lot of required courses as one does in an American college or university. One may take other courses, but they are not obligatory.

Bruce suggested that before I left, we should phone Fr. Copleston, the Dean of the Heathrop Seminary and a famous writer in philosophy, about meeting with him to discuss the possibility of introducing a peace course. When we called, it turned out that Fr. Copleston was not the least bit interested. Bruce said that he reacted to the word "peace" as if the word "spinach" had been mentioned and he didn't like it. If Monsignor Bruce Kent, former secretary to the Cardinal Primate, Chaplain at a prestigious London University, got a put-off like that, what would happen to a layman if he called?

I pointed out that the ordinary Jesuit—and Fr. Copleston might be one of them—goes from one academic experience to another. He goes from seminary to graduate school and then on to teaching at a university. This very often leaves him without practical experience in judging how academic decisions affect human life. He is in a small and artificial world of academics.

I told Bruce that he is better off as University Chaplain than in the academic bureaucracy. He has to be concerned with the human side of life like the wedding he had just been part of and the problems connected with persons, not just the university which is separated from much of life and impersonalized. The Chaplain has to solve problems in the human context; this is far better for him and usually results in a set of priorities which puts the human first, while the impersonal, structural, academic view reduces the human values to second place.

My own experience with human values developed when I was a pastor of a

racially mixed parish in a segregated area. I had a chance to see the higher priority of human values over racist theory. I believe that without that experience I wouldn't have been nearly as sure of my priorities. Nor would I have felt such a kinship with Bruce Kent, or Simon Blake as I did because of their commitment to peacemaking.

For my next visit I went by rail to New Malden, which is about 8 miles north of London, to the main headquarters of the British branch of the Fellowship of Reconciliation. There I met Rev. David Harding and his assistant, Jill O'Hara. They have an office near the rail station, having moved out of London so they can get the three or four part-time secretaries they need for less money.

The rail service is very good, and is owned by the government, existing strictly for the benefit of the people. It runs on a very frequent schedule. It is connected directly to the underground lines of the city so that they end at stations where rail lines begin. The fares are cheap so it is convenient for a group like the Fellowship to be based outside the city.

Dave Harding is a Methodist minister who is now working full-time with the Fellowship. He invited me to his home in Hampton Court, (where the King's court used to be in the time of Woolsey and Henry VIII) for afternoon tea. On the way I passed Wimbledon, famous for tennis.

During a pleasant evening in his home our common bond of commitment to the value of human life and peace was a very evident link. The two children, ages four and five, were very friendly, and at their parents' urging called me Uncle Dick. One was quick to notice my different American accent and commented, "I can understand everything you say, but you can't understand everything I say."

On the way home I reflected on my many pleasant contacts with peace-minded people in Britain. I was able to speak with several Catholic bishops interested in peace. Later in Europe I talked with Bishop Taylor of Stockholm and others. At that time there were no Bishops in the U.S. with records like these men of doing something for peace. Bishop Carroll Dozier of Memphis, Bishop Tom Gumbleton of Detroit, Walter Sullivan of Richmond, Ernest Unterkoffler of Charleston, S.C., and Raymond Huthausser of Seattle are among a growing number.

On November 15, 1969, I participated in the British moratorium against the Vietnam War in front of the U.S. Embassy at Grosvenor Square in London. Even the appearance of the Embassy stressed the overexaggerated nature of America's power. A gigantic spread eagle about 8 or 10 feet wide dominated the front of the building. Unlike other embassies where the flag flies from the roof, two flags fly inside the glassed-in front of the building. The building itself takes up the entire side of the square. The total effect of architecture and decor says to the passer-by, "America is the biggest and greatest power on the globe." Both the effect and the scale are out of tune with the subtler and more gentle architecture which graces most of London.

That day in November about 500 Britons and Americans were meeting to

PEACE EYES

express their sorrow at America's misuse of power in Vietnam. As I approached the square several hundred people had already begun to march around it. The square is a pleasant park surrounded on all four sides by buildings, and the crowd was walking around the sidewalk which surrounds the outside of the park. Most of them carried signs which said, Americans out of Vietnam.

"Bring our boys home."

"Withdraw American Troops."

"Stop the Injustice."

Each marcher carried in his or her hand a card on which was written the name of a dead soldier and the city and state from which he came. As each passed around the square to the front of the Embassy, he or she read the name of the dead soldier on a loudspeaker which faced the Embassy, then deposited the card in a small coffin that lay on the ground across the street from the Embassy.

Around the coffin, 5 or 6 young men lay in the street pretending to be dead bodies. Close to the sidewalk across the street from the Embassy was a line of British bobbies.

A second line of bobbies stood on the sidewalk along the front of the Embassy. Off to the left was a bus, filled with more police, and parked along the curb in front of the Embassy were 3 or 4 detective and police cars.

As an American it was noticeable to me that the attitude of the police toward the crowd was far better than that of the American police at similar events. These police wore no guns and carried no sticks. They were friendly and cooperative when you spoke to them. The crowd in turn made no remarks attacking the police. Throughout the afternoon, even though some militant groups arrived, the relationship between the crowd and the police never worsened.

The plan was to continue marching and reading the named dead from 2 P.M. until 8 P.M. In the middle of the afternoon, a group from the moratorium marched up Bond Street to the Swedish Embassy as an act of appreciation for the Swedish government providing a haven to war resisters. All this was done despite a light rain which lasted about half an hour.

The demonstrators wore black armbands and were well directed by the stewards who marched us around the square. At about 5 P.M. one of the women who was handing out names of the dead said to me as she gave me a card, "I've been here since 1:30 P.M. giving out these cards and look how many I still have to give out. There are so many dead!"

"So many dead!" She only heard names and held papers, but her heart, mind, imagination reached to recall the golden youth who would never sing or laugh or run or love again. Why? We believed there was no good answer to that question, only bad answers: false and lying answers!

For awhile I talked with a young London woman of twenty who worked in a

newspaper office. I asked her how she got interested in the peace movement. She answered, "I just continued to get more and more angry as I read the newspaper reports of what is going on in Vietnam. I do not pretend to be a scholar, but the situation there is so bad that I just couldn't help doing something about it."

Soon after 5 P.M. a large number of additional police arrived. The reason was clear. Up the street and into the square marched a group of 60 to 70 young men who were representatives of the communist party who had just come from a meeting. At the head of the line was a sound truck amplifying a speech against the war. They were at the opposite end of the square when they entered. The police forced them to stop using the sound truck, so they joined us in the march. Some of them were heckling the marchers and saying, "You aren't giving political education about the evils of imperialism, you are just reading off the names of the dead. You aren't getting into the reason why these people are dead and you're not reading the names of any of the Vietnamese dead." I got into conversation with two of the young communists and asked the one who was making the most noise how many he thought would come to listen if he advertised a group of communists were going to give a political education on imperialism this afternoon.

He only retorted that what we were doing was meaningless.

I answered that the U.S. government and the rest of the world in general read our presence at the Embassy, our reading of the names, as a protest against the continuation of the war in Vietnam, as a call to end the war. Then I asked him, "If you agree that the war should be ended, who do you come with speeches which will offend many here and divide the marchers?"

He didn't answer the questions, but continued his argument.

Some of the people in the march told me that this is a problem the British peace movement has had for some time now. There are only a few thousand communists, but they are very jealous, often confronting gatherings like this to make it difficult for the peacemakers to carry out a program without their interference.

Some of the banners carried by our marchers gave the names of places destroyed by American firepower in Vietnam. Other large posters carried the heads of skeletons with a black hat on top. When you drew closer, you could see that the eyes and other black parts of the skull were made up of pictures of dead Americans cut from magazines.

As the hours wore on and the name after name was read the word "dead" spoken after each name, the impression of the horror of this war grew. About the middle of the afternoon, a boy with a drum began to beat a muffled drum beat between the readings of each name. This continued for the rest of the afternoon.

It was dark and we were carrying candles for an hour or more when we came to the end of the names. We had received word from the Embassy that they

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would not allow the small coffin to be brought in the door, so the 4500 names were transferred to plastic bags and a group started to move across the street to the Embassy. At this point, one of the policemen near me started pushing against me and telling me and all the crowd to move back. I noted very carefully that he did not lay his hands on me; he just pushed his stomach against me. I asked him, "How do you expect me to move back with all these people behind me? Do you want me to push against them?"

He just kept mumbling something like, "let's move back there now; let's be agreeable; let's move back." It was quite different from the way American police have treated me and other peace marchers.

The question with the police was soon settled. They agreed to allow six people to go into the Embassy. They carried torches and candles with the names of the dead. While they walked slowly across the street, we sang, "We shall overcome" with many verses to it. BBC television took pictures of the singing crowd immersed in candle light.

As we were leaving, a young American announced through the loudspeaker that on the next day at St. Mark's American Church near the square, there would be an interdenominational service to urge the immediate withdrawal of all American troops from Vietnam. All were invited to this ceremony just fifty yards from the American Embassy.

Other demonstrations took place in England that same day. In Birmingham, Manchester, Liverpool, Glasgow, Edinburgh, Bristol, Brighton, and other places.

The activities in London supporting the second stage of the moratorium and the March of Death in Washington, were initiated by Group 68 (Americans in Britain). This group had the support of British peace organizations, including the Committee on Nuclear Disarmament, The British Peace Council, and the International Committee for Disarmament and Peace.

The next day I joined with about 500 other people for the interdenominational service. Most of them were young, and many of them were Americans. As I was waiting for the ceremony to begin, Bill Clinton of Georgetown, then studying as a Rhodes Scholar at Oxford, came up and welcomed me. He was one of the organizers, and asked me to open the service with a prayer.

After my prayer we had hymns, peace songs led by two women with guitars, and the reading of poetry by a native white South American woman. The poems were very moving, especially one about napalm causing a horrible figure of a person who could not sit because his skin was just about gone and he had a crust speckled with pus. Another poem was about a human brain in a museum which had survived the nuclear destruction of the world. It told how everyone had disappeared and the world had been all fused together. Mixed with the reading were more peace songs.

All of the readers were young people. Although it was a sad day, it was encouraging and comforting to see the determination of these young people

who would stand against the evils of war.

After the ceremony the Anglican minister came up and talked with me. He also said how moved and impressed he was by the spirit of the young people. He told me about a take-over of the church about a year before by a group that had not been asked to come in, but tried to block the military from having a service there. He said that this group today had very politely and properly asked for use of the church and he had been glad to grant it and thought that they had been very prayerful.

I was glad to see a Georgetown student leading in the religious service for peace. After the service Bill introduced me to some of his friends. With them, we paraded over to the American Embassy carrying white crosses made of wood about one foot high. There we left the crosses as an indication of our desire to end the agony of Vietnam.

Oct 07'92 8:25 No.001 P.07

TEL:

Oct 07'92 8:26 No.001 P.08

TEL:

CHAPTER IV NORWAY, DENMARK, GERMANY AND SWITZERLAND

A familiar face greeted me in the station at Oslo. Bill Clinton, a student from Georgetown University. He had been on the same train. When he learned I was going to visit the Institute for Peace Research at Oslo University he asked if he could come along. I was delighted.

We were shown around the Institute by the Assistant Director. It is housed in a lovely old reconditioned mansion of Victorian design. Its program is designed to promote peace through research. We met three conscientious objectors working there. They objected to Norway's role in NATO. This was a new reason that we had not heard of before.

Together we visited Oslo University, lunched with a professor there and visited a peace center founded by two actors. Before Bill left he agreed that this was a good way to see a country. You see as much as a tourist, you have an important subject to talk about with the people you meet, and you learn something of the process of working toward peace.

I went on to Lund and talked with the chairman of Peace Research and with Dr. Webourg of the suburban university there. Dr. Webourg had impressive knowledge of languages. While I visited with him he talked with a Japanese student in German, and a few minutes later with another student in Slovak. He told me that his family spoke Slavic, which made German easy for him. "I have learned Swiss since I've been here, and I speak French and English. If you can learn one Slavic language, one Scandinavian language and one Romance language, either Spanish, French or Portuguese, you will never be completely out of any conversation anywhere. You will also get enough Russian to understand the general drift of the conversation."

Dr. Webourg seemed well suited for the work of improving international understanding. Peace was given much emphasis at his university and the Sociology Department allowed freshmen to take a course on peace. A joint seminar was held once a week for all three disciplines which worked on peace and conflict research — history, psychology, and social science. This seminar course forms a vocabulary for the various disciplines and overcomes the language barriers that sometimes arise. Although the percentage of Swedes receiving a University education is a limited one, 18% of the students are from the working class.

By train I went on to the seaport town of Malmo where a two hour ferry sails to Denmark. On the ferry young men and women were having a party after graduation. A small fee allows them to have a good celebration in a foreign land. Except for those Americans who live on the Mexican or Canadian borders, Americans miss this and it makes us less internationally-minded.

I spent my one afternoon in Denmark with Anders Baserud at the Institute for Peace Research at Copenhagen. There are 10 people on the staff there.

ROLL CALL VOTES CAST BY SENATOR ROBERT DOLE

Senate

Congress	Session	Year	Cast by Sen. Dole	Total Senate Roll Call Votes
91	1	1969	230	245
91	2	1970	393	422
92	1	1971	363	423
92	2	1972	489	532
93	1	1973	574	594
93	2	1974	487	544
94	1	1975	568	611
94	2	1976	549	700
95	1	1977	616	636
95	2	1978	494	520
96	1	1979	474	509
96	2	1980	526	546
97	1	1981	486	497
97	2	1982	460	469
98	1	1983	366	381
98	2	1984	283	292
99	1	1985	376	381
99	2	1986	358	359
100	1	1987	399	420
100	2	1988	326	379
101	1	1989	309	312
101	2	1990	326	326
102	1	1991	280	280
102	2	1992*	<u>264</u>	<u>265</u>

Total Dole ~~9996~~
Votes in Senate **10,001**

Senate Votes ~~10043~~
1969-1992 **10,648**

Total Roll Call Votes cast by Senator Dole
during his Congressional service, 1961-Oct. ~~5~~ **8**, 1992

~~11,281~~ **11,286**

Total House and Senate Roll Call Votes, 1961-Oct. ~~5~~ **8**, 1992

~~11,987~~ **11,992**

*Information current as of close of business Oct. ~~5~~ **8**, 1992

ROLL CALL VOTES CAST BY SENATOR ROBERT DOLE

House of Representatives

<u>Congress</u>	<u>Session</u>	<u>Year</u>	<u>Cast by Sen. Dole</u>	<u>Total House Roll Call Votes</u>
87	1	1961	115	116
87	2	1962	122	124
88	1	1963	118	119
88	2	1964	112	113
89	1	1965	199	201
89	2	1966	191	193
90	1	1967	230	245
90	2	1968	<u>198</u>	<u>233</u>
Total Dole Votes in House			1285	Total House Votes 1961-1968 1344

Bob Dole



NEWS

FROM:

U.S. SENATOR FOR KANSAS

SENATE REPUBLICAN LEADER

FOR IMMEDIATE RELEASE
OCTOBER 9, 1992

CONTACT: WALT RIKER
(202) 224-5358

GAO'S LAWRENCE WALSH AUDIT: FIRST CLASS RIP-OFF

WASHINGTON - Senate Republican Leader Bob Dole today issued the following statement upon the release of a GAO audit of Lawrence Walsh's Iran-Contra investigation. Senator Dole called for the audit in a Senate amendment that was approved by the full Congress.

I am delighted that the GAO has complied with my amendment requiring them to do what they were supposed to be doing for four years--providing oversight of Independent Counsels.

The audit documents what some of us have said all along: The only thing First Class about Mr. Walsh's investigation is the First Class air fare, First Class office space, First Class hotel rooms, and First Class meals--all paid for by the American taxpayer.

For the first time, we now know that as of last March 31, Mr. Walsh's six year investigation has cost the taxpayers more than \$30 million dollars.

The audit reveals that taxpayers are paying for Mr. Walsh's First Class air fare, and for his \$95 a day hotel room. One of the most outrageous revelations, however, is the fact that the taxpayers also pay \$95 a day to keep that room warm for Mr. Walsh even when he's not staying in it.

The report concludes that Mr. Walsh traveled First Class without proper certification and authorization, and that at least \$44,000 of reimbursements he has received for meals and lodging are "unallowable."

Perhaps what I said a few weeks ago is true--it may soon be time to appoint an Independent Counsel to investigate the Independent Counsel.

###

A COMPARATIVE ANALYSIS OF THE PRESIDENTIAL CANDIDATES' HEALTH PLANS



**BY THE BIPARTISAN PANEL
ON PRESIDENTIAL CANDIDATES'
HEALTH PLANS**

CONVENED BY FAMILIES USA • TEN DOLLARS

**A Comparative Analysis
Of The Presidential Candidates'
Health Plans**

By
**The Bipartisan Panel
On
Presidential Candidates'
Health Plans**

Convened By

**Families USA
1334 G Street, N.W.
Washington, D.C. 20005
(202) 737-6340**

Data Provided By Lewin-ICF

October 1992

Health care has consistently ranked among the top two issues, along with the economy, of concern to voters in this Presidential election year. Most recently, according to the *New York Times*/CBS News poll published on August 26, 1992, nine out of ten of those interviewed "wanted substantial discussion of how the candidates planned to improve the nation's economy and how they would improve the country's health care system." In another recent poll conducted by the *Los Angeles Times*, August 21-22, 1992, registered voters ranked health care behind only the economy and unemployment as an issue registered voters wanted addressed by the Presidential candidates. In an *Atlanta Constitution* survey of likely voters in twelve southern states, conducted August 15-19, 1992, 84 percent of those surveyed identified health care as a key issue in picking a President, second only to improving the economy.

The American public views the high cost of health care as the main problem with health care.¹ Survey data further indicate that concerns about the economy and health costs have heightened Americans' fears about losing their health insurance coverage. The *New York Times* described the results of a public opinion survey last year as revealing "striking widespread insecurity" and as indicating "progressively greater public fears about rising medical costs and the availability of health insurance."²

Both Presidential candidates have recognized the importance of the health care issue. They released proposals early in 1992; cited the need for health reform in their nomination acceptance speeches; and each has continued to contrast his proposals with his opponent's in campaign appearances.

The Bipartisan Panel on Presidential Candidates' Health Plans

To date, discussion of the two candidates' proposals has been contentious and partisan. This report represents an effort to respond to the expressed needs of the electorate by providing objective data about the comprehensive health reform proposals of President Bush and Governor Clinton. In response to the public's concerns about health costs and insurance coverage, this report looks specifically at the impact of the two health reform proposals on American families' health costs and on the numbers of uninsured and underinsured Americans. In order to provide the most objective data possible, this report was prepared in collaboration with a distinguished panel of five experts with ties to both Republican and Democratic Administrations. Panel members have held high-level health

policy positions in five administrations—three Republican (Eisenhower, Nixon and Ford) and two Democratic (Johnson and Carter).

The members of the Bipartisan Panel on Presidential Candidates' Health Plans are:

■ **Stuart H. Altman, Ph.D.**

- Deputy Assistant Secretary for Planning and Evaluation in the Department of Health, Education and Welfare (Nixon and Ford Administrations);
- Deputy Administrator of the Office of Health of the Cost of Living Council (Nixon Administration);
- Former Acting President of Brandeis University;
- Chairman of the Prospective Payment Assessment Commission (1983–present); and
- Dean of the Heller School at Brandeis University.

■ **Karen Davis, Ph.D.**

- Deputy Assistant Secretary for Planning and Evaluation/Health and Administrator of the Public Health Service, Health Resources Administration in the Department of Health and Human Services (Carter Administration);
- Former Chairman of the Department of Health Policy and Management in the School of Hygiene and Public Health, The Johns Hopkins University;
- Executive Vice President of The Commonwealth Fund; and
- Member of the Physician Payment Review Commission.

■ **Charles C. Edwards, M.D.**

- Assistant Secretary for Health in the Department of Health, Education and Welfare (Nixon and Ford Administrations);
- Commissioner of the Food and Drug Administration (Nixon Administration);
- Chairman of the Advisory Committee to the Secretary of Health and Human Services on the Food and Drug Administration (Bush Administration); and
- President and Chief Executive Officer of the Scripps Institutions of Medicine and Science.

■ **Arthur S. Flemming, J.D.**

- Secretary of Health, Education and Welfare (Eisenhower Administration);
- U.S. Commissioner on Aging (Nixon Administration);
- Chairman of the U.S. Commission on Civil Rights (Nixon, Ford and Carter Administrations); and
- Chairman of the Social Security Administration's Supplemental Security Income Modernization Project (Bush Administration).

■ **Philip R. Lee, M.D.**

- Assistant Secretary for Health and Scientific Affairs in the Department of Health, Education and Welfare (Johnson Administration);
- Chairman of the Physician Payment Review Commission (1986-present);
- Chancellor of the University of California at San Francisco (1969-1972); and
- Director of the Institute for Health Policy Studies and Professor of Social Medicine, University of California at San Francisco.

The consulting firm **Lewin-ICF** conducted the data analysis. Lewin-ICF is a leading consulting firm in the area of health economics. The firm's clients include The Department of Health and Human Services, The Heritage Foundation, The U.S. Bipartisan Commission on Comprehensive Health Care (The Pepper Commission), The 1991 Advisory Council on Social Security, The Brookings Institution, and numerous state governments.

The Bush and Clinton Health Reform Proposals

President Bush released *The President's Comprehensive Health Reform Program* on February 6, 1992. The plan is also summarized by Secretary of Health and Human Services Louis Sullivan in the September 10, 1992 issue of the *New England Journal of Medicine*.

The cornerstone of the President's proposal to improve access to health care is the creation of a health insurance credit or tax deduction that would reduce the cost of health insurance for many families. When fully phased-in, a family of four, with an adjusted gross income up to \$14,300, would obtain the maximum credit, enabling it to purchase \$3,750 of health insurance. A family of four, with income up to \$60,000, but without employer-sponsored health insurance, could take a tax deduction of \$3,750, providing about \$1,050 to help with the purchase of insurance. States would be required to develop a basic health insurance package that could be purchased with the tax credit, or the credit could be used toward the purchase of alternative insurance.

The President's plan requires insurers to provide coverage to all employers requesting it. It would prevent insurance companies from denying individuals coverage due to illness or preexisting medical conditions.

The President proposes to make health insurance more affordable by encouraging health insurance networks; by limiting insurers' ability to increase premiums more for groups with sick individuals than for other groups; by reducing mandated benefits; by allowing self-employed persons to deduct 100 percent of the cost of health insurance from their income taxes; by reducing administrative costs through streamlined billing procedures; by promoting coordinated care; and by reforming medical malpractice laws.

Governor Clinton released *Bill Clinton's American Health Care Plan* early in 1992. The Governor also presented his proposals in the September 10 issue of the *New England Journal of Medicine*.

To control health costs, Governor Clinton proposes to establish a National Health Board that would establish annual budget targets to assure that health care costs do not go up any faster than the average American's income. To meet the global budget targets, states would establish rates applying to all payers other than managed care networks and set ceilings on premiums for managed care. Managed care networks would compete based on prices and services offered.

The National Health Board would establish a core benefit package for all plans that would include ambulatory care, inpatient hospital care, prescription drugs, basic mental health care, and important preventive benefits, such as prenatal care and screening mammography.

Under Governor Clinton's plan, employers would either purchase private health benefits directly or participate in publicly sponsored, privately operated alternatives that provide the specified core benefits package. Those not covered through their employers would participate in the publicly sponsored, privately operated alternatives.

Governor Clinton would require insurance companies to guarantee access to health insurance to all groups and to all persons within those groups, regardless of their medical condition. He would require insurers to use community rating so that premiums are based on the expected costs for all policyholders, not on a particular group's historical costs. Governor Clinton also plans to promote the development of local health networks responsible for the total care of the patients served; to reduce malpractice litigation through the availability of alternative mechanisms for resolving disputes and through the development of medical practice guidelines to help eliminate improper care; to reduce administrative costs with a simplified billing system; to slow price increases for prescription drugs; and to control the proliferation of duplicative technology. (See the Technical Appendix for further descriptions of details of the plans relevant to this analysis.)

Results of This Analysis

This analysis looks at how the Bush and Clinton Health Plans will affect health spending per American family in the years 2000 and 2005. It also looks at the number of Americans who will be uninsured or underinsured by the years 2000 and 2005. Individuals are considered underinsured if they must spend ten percent or more of their pretax incomes for health care.

This bipartisan report is not intended to signify support for, or opposition to, either of the Presidential candidates. Rather, it is intended to offer the best available nonpartisan analysis about the key, quantifiable impacts of health care plans released by President Bush and Governor Clinton. The results of this analysis are estimates based on the published plans of the Presidential candidates and on assumptions approved by the Bipartisan Panel about how the plans would be implemented. The

Technical Appendix at the back of this report provides a detailed description of the methodology and assumptions used to produce the data.

Although this report presents very precise data about the impact of the two candidates' proposals, some caveats about this analysis are in order. President Bush's and Governor Clinton's proposals need additional levels of detail before they could be enacted into law. These details could have a major impact on the data presented. Additionally, both plans would implement policies for which there is limited experience in the United States, thereby limiting the precise predictability of their outcomes. Despite these limitations, this analysis offers useful national and state-by-state insights into the relative impacts of the two plans.

The key results are:

- *Without reform, average health spending per American family will reach \$10,601 (in 1992 dollars) by the year 2000 and \$12,663 (in 1992 dollars) in 2005. With the Bush health reform proposals, average spending per family would be reduced from those projections by 1.9 percent to \$10,398 in 2000 and to \$12,424 in 2005. With the Clinton health reform proposals, average spending per family would be reduced from those projections by 13 percent in 2000 to \$9,219 and by 19.8 percent in 2005 to \$10,157. (See Table 1 for state-by-state data.)*

- *Without reform, national health spending is projected to reach \$1.6 trillion (in nominal dollars) by the year 2000 and \$2.4 trillion (in nominal dollars) in 2005. With the Bush health reform proposals, national health spending would be reduced from those projections by \$31 billion in 2000 and by \$46 billion in 2005. With the Clinton health reform proposals, national health spending would be reduced from those projections by \$211 billion in 2000 and by \$481 billion in 2005.*

- *Based on current projections for health spending, President Bush's health reforms would produce cumulative savings of \$156.9 billion (in nominal dollars) from 1993 to 2000 and \$353.3 billion from 1993 to 2005. Governor Clinton's health reforms would produce cumulative savings of \$745.7 billion (in nominal dollars) from 1993 to 2000 and \$2.5 trillion from 1993 to 2005.*

■ *Without reform, 37.4 million Americans will be uninsured by the year 2000 and 38.3 million in 2005. With the Bush health reform proposals, 26.6 million Americans would be uninsured in 2000 and 27.3 million in 2005. With the Clinton health reform proposals, all Americans would have health insurance in those years. (See Table 2 for state-by-state data.)*

■ *Without reform, 21.1 million Americans will be underinsured by the year 2000 and 24.3 million in 2005. With the Bush health reform proposals, 19.7 million Americans would be underinsured in 2000 and 22.4 in 2005. With the Clinton health reform proposals, 7.9 million Americans would be underinsured in 2000 and 8.7 million in 2005.*

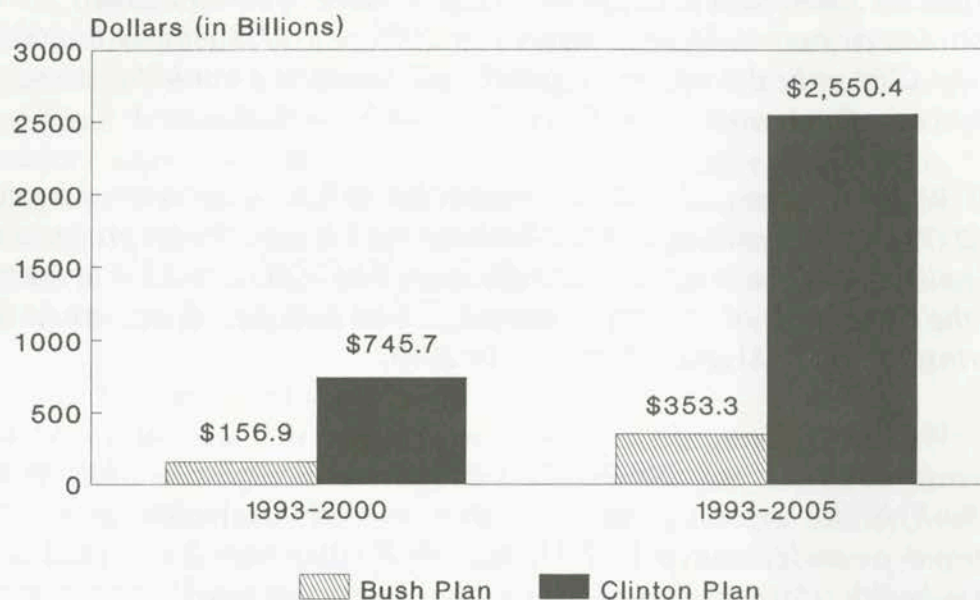
■ *Without reform, 58.5 million Americans will be uninsured or underinsured by the year 2000 and 62.6 million Americans in 2005. With the Bush health reform proposals, 46.3 million Americans would be uninsured or underinsured in 2000 and 49.7 million in 2005. With the Clinton health reform proposals, 7.9 million Americans would be uninsured or underinsured in 2000 and 8.7 million in 2005.*

ENDNOTES

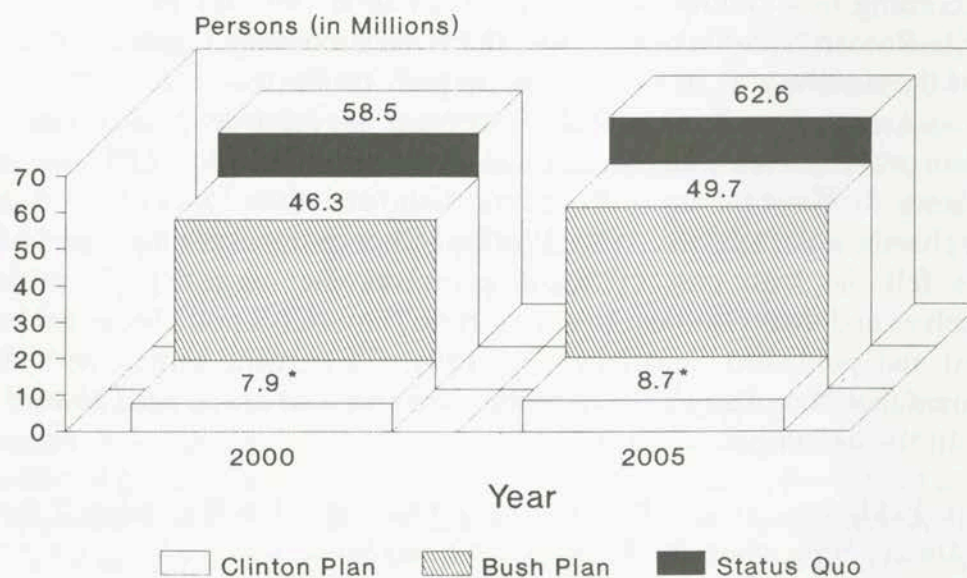
1. According to a Gallup poll conducted in June 1992 for the Employee Benefits Research Institute, cost was the biggest concern regarding health care of those surveyed. In another Gallup poll, conducted for the American Medical Association, Spring 1992, 73 percent of respondents cited cost as the main problem facing health care and medicine. A Harvard/KRC poll for the Henry J. Kaiser Family Foundation showed that 75 percent of all Pennsylvania voters in the 1991 Wofford-Thornburgh race for the U.S. Senate felt the high cost of health care was the biggest problem for themselves and their families. In a *New York Times*/CBS poll conducted last August and published September 26, 1991, 79 percent agreed with the statement that "because of rising health care costs we are headed toward a crisis in the health care system."

2. Erik Eckholm, "Health Benefits Found to Deter Job Switching," *New York Times*, September 26, 1991, pp. A1 and B12.

Cumulative Savings Under the Bush and Clinton Health Plans



Total Uninsured and Underinsured Persons Under the Bush and Clinton Health Plans



* There will be no uninsured persons in 2000 and 2005 under the Clinton Plan.

Source: Bipartisan Panel on Presidential Candidates' Health Plans;
 data provided by Lewin-ICF.

TABLE 1
AVERAGE HEALTH SPENDING PER FAMILY UNDER ALTERNATIVE PROPOSALS
(in 1992 dollars)

	2000			2005		
	Current Law	Bush Plan	Clinton Plan	Current Law	Bush Plan	Clinton Plan
UNITED STATES	\$10,601	\$10,398	\$9,219	\$12,663	\$12,424	\$10,157
Alabama	\$10,029	\$9,843	\$8,754	\$12,015	\$11,794	\$9,671
Alaska	\$12,166	\$11,992	\$10,601	\$14,610	\$14,400	\$11,732
Arizona	\$9,396	\$9,226	\$8,194	\$11,263	\$11,061	\$9,049
Arkansas	\$9,113	\$8,940	\$7,971	\$10,919	\$10,713	\$8,806
California	\$11,604	\$11,423	\$10,152	\$13,880	\$13,666	\$11,191
Colorado	\$9,582	\$9,418	\$8,331	\$11,489	\$11,292	\$9,208
Connecticut	\$12,711	\$12,436	\$10,978	\$15,134	\$14,812	\$12,057
Delaware	\$9,112	\$8,929	\$7,919	\$10,898	\$10,682	\$8,733
District of Columbia	\$9,732	\$9,533	\$8,507	\$11,547	\$11,317	\$9,312
Florida	\$9,864	\$9,664	\$8,622	\$11,790	\$11,554	\$9,495
Georgia	\$10,336	\$10,148	\$9,004	\$12,400	\$12,176	\$9,952
Hawaii	\$11,759	\$11,526	\$10,152	\$14,071	\$13,793	\$11,200
Idaho	\$7,875	\$7,732	\$6,864	\$9,443	\$9,273	\$7,592
Illinois	\$10,550	\$10,347	\$9,137	\$12,584	\$12,345	\$10,058
Indiana	\$9,364	\$9,176	\$8,120	\$11,203	\$10,980	\$8,963
Iowa	\$9,459	\$9,258	\$8,168	\$11,301	\$11,062	\$9,006
Kansas	\$10,799	\$10,583	\$9,346	\$12,888	\$12,633	\$10,289
Kentucky	\$8,739	\$8,563	\$7,602	\$10,496	\$10,285	\$8,423
Louisiana	\$11,210	\$11,014	\$9,813	\$13,482	\$13,246	\$10,885
Maine	\$10,568	\$10,350	\$9,152	\$12,593	\$12,338	\$10,061
Maryland	\$10,118	\$9,910	\$8,766	\$12,110	\$11,863	\$9,675
Massachusetts	\$13,340	\$13,055	\$11,531	\$15,840	\$15,509	\$12,633
Michigan	\$11,066	\$10,835	\$9,562	\$13,202	\$12,930	\$10,527
Minnesota	\$10,690	\$10,484	\$9,242	\$12,772	\$12,528	\$10,186
Mississippi	\$8,680	\$8,519	\$7,594	\$10,432	\$10,239	\$8,414
Missouri	\$10,398	\$10,194	\$9,028	\$12,415	\$12,175	\$9,943
Montana	\$8,981	\$8,812	\$7,822	\$10,783	\$10,582	\$8,665
Nebraska	\$10,108	\$9,908	\$8,748	\$12,063	\$11,828	\$9,633
Nevada	\$10,104	\$9,950	\$8,840	\$12,105	\$11,920	\$9,756
New Hampshire	\$9,199	\$9,019	\$7,976	\$10,992	\$10,779	\$8,787
New Jersey	\$10,701	\$10,473	\$9,259	\$12,744	\$12,477	\$10,172
New Mexico	\$8,965	\$8,831	\$7,872	\$10,729	\$10,570	\$8,677
New York	\$13,591	\$13,301	\$11,791	\$16,205	\$15,864	\$12,973
North Carolina	\$8,654	\$8,479	\$7,519	\$10,368	\$10,160	\$8,305
North Dakota	\$11,557	\$11,315	\$9,980	\$13,739	\$13,457	\$10,949
Ohio	\$11,022	\$10,794	\$9,534	\$13,160	\$12,891	\$10,504
Oklahoma	\$9,229	\$9,067	\$8,079	\$11,054	\$10,861	\$8,923
Oregon	\$9,352	\$9,188	\$8,139	\$11,165	\$10,972	\$8,962
Pennsylvania	\$11,114	\$10,864	\$9,614	\$13,211	\$12,920	\$10,547
Rhode Island	\$12,698	\$12,430	\$10,979	\$15,054	\$14,743	\$12,009
South Carolina	\$8,612	\$8,448	\$7,494	\$10,338	\$10,142	\$8,293
South Dakota	\$10,135	\$9,937	\$8,795	\$12,034	\$11,804	\$9,636
Tennessee	\$9,976	\$9,775	\$8,671	\$11,981	\$11,742	\$9,604
Texas	\$9,908	\$9,756	\$8,702	\$11,890	\$11,708	\$9,621
Utah	\$9,951	\$9,767	\$8,611	\$11,911	\$11,692	\$9,503
Vermont	\$8,717	\$8,540	\$7,543	\$10,393	\$10,184	\$8,297
Virginia	\$9,516	\$9,335	\$8,270	\$11,412	\$11,196	\$9,144
Washington	\$9,281	\$9,107	\$8,050	\$11,111	\$10,903	\$8,887
West Virginia	\$9,213	\$9,027	\$8,015	\$11,021	\$10,802	\$8,851
Wisconsin	\$10,322	\$10,101	\$8,913	\$12,342	\$12,080	\$9,833
Wyoming	\$8,520	\$8,360	\$7,400	\$10,274	\$10,081	\$8,231

SOURCE: Bipartisan Panel on Presidential Candidates' Health Plans. See the Technical Appendix for an explanation of assumptions and methodology.

TABLE 2
NUMBER OF UNINSURED PERSONS UNDER ALTERNATIVE PROPOSALS
(in thousands)

	2000			2005		
	Current Law	Bush Plan	Clinton Plan	Current Law	Bush Plan	Clinton Plan
UNITED STATES	37,400	26,640	0	38,300	27,308	0
Alabama	743	530	0	752	536	0
Alaska	106	75	0	111	79	0
Arizona	743	530	0	792	564	0
Arkansas	467	333	0	471	336	0
California	6,276	4,449	0	6,572	4,686	0
Colorado	516	368	0	530	378	0
Connecticut	280	199	0	282	201	0
Delaware	97	69	0	100	71	0
District of Columbia	114	82	0	117	83	0
Florida	2,766	1,972	0	2,935	2,092	0
Georgia	1,202	857	0	1,274	909	0
Hawaii	105	75	0	111	79	0
Idaho	165	117	0	165	118	0
Illinois	1,211	863	0	1,197	853	0
Indiana	627	447	0	615	439	0
Iowa	203	145	0	194	138	0
Kansas	247	176	0	247	176	0
Kentucky	521	372	0	514	366	0
Louisiana	865	617	0	857	611	0
Maine	132	94	0	133	95	0
Maryland	565	403	0	582	415	0
Massachusetts	536	382	0	542	386	0
Michigan	787	561	0	775	553	0
Minnesota	402	287	0	403	287	0
Mississippi	538	384	0	546	389	0
Missouri	669	477	0	672	479	0
Montana	120	85	0	118	84	0
Nebraska	152	109	0	150	107	0
Nevada	244	174	0	259	185	0
New Hampshire	150	107	0	156	111	0
New Jersey	828	590	0	845	602	0
New Mexico	429	306	0	456	325	0
New York	2,125	1,515	0	2,119	1,511	0
North Carolina	975	695	0	1,009	720	0
North Dakota	50	36	0	49	35	0
Ohio	999	712	0	980	699	0
Oklahoma	648	462	0	653	466	0
Oregon	414	295	0	418	298	0
Pennsylvania	1,084	773	0	1,061	756	0
Rhode Island	95	68	0	97	69	0
South Carolina	556	396	0	571	407	0
South Dakota	86	61	0	86	61	0
Tennessee	706	504	0	714	509	0
Texas	4,427	3,156	0	4,614	3,290	0
Utah	193	138	0	200	143	0
Vermont	58	41	0	58	41	0
Virginia	909	648	0	936	668	0
Washington	580	414	0	591	421	0
West Virginia	243	173	0	233	166	0
Wisconsin	382	272	0	376	268	0
Wyoming	62	44	0	61	44	0

SOURCE: Bipartisan Panel on Presidential Candidates' Health Plans. See Technical Appendix for an explanation of assumptions and methodology.

TABLE 3

**TOTAL HEALTH EXPENDITURES UNDER CURRENT LAW
AND SAVINGS UNDER ALTERNATIVE PROPOSALS**
(in billions of nominal dollars)

Year	Current Law	Savings Under Bush Proposal	Savings Under Clinton Proposal
2000	\$1,616	\$(31)	\$(211)
2005	\$2,432	\$(46)	\$(481)

SOURCE: Bipartisan Panel on Presidential Candidates' Health Plans.
See the Technical Appendix for an explanation of assumptions and methodology.

TABLE 4

**NUMBER OF UNDERINSURED PERSONS UNDER CURRENT LAW
AND UNDER ALTERNATIVE PROPOSALS**
(in millions)

Year	Current Law	Bush Proposal	Clinton Proposal
2000	21.1	19.7	7.9
2005	24.3	22.4	8.7

SOURCE: Bipartisan Panel on Presidential Candidates' Health Plans.
See the Technical Appendix for an explanation of assumptions and methodology.

Technical Appendix

**INSURANCE COVERAGE AND HEALTH EXPENDITURES
UNDER THE BUSH AND CLINTON
HEALTH REFORM PROPOSALS**

Prepared for:

THE BIPARTISAN PANEL ON PRESIDENTIAL
CANDIDATES' HEALTH REFORM PLANS
and
FAMILIES USA

Prepared by:

LEWIN-ICF

October 1, 1992

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INSURANCE COVERAGE AND HEALTH EXPENDITURES UNDER THE BUSH AND CLINTON HEALTH REFORM PROPOSALS

A. OVERVIEW

President Bush and Governor Clinton have proposed two very different approaches to reforming the U.S. health care system. The President proposes to expand the availability of insurance through insurance market reforms and a program of refundable tax credits and deductions to assist low- and middle-income families in purchasing private insurance. Governor Clinton's plan includes similar insurance market reforms, but also requires universal coverage for all Americans by expanding upon private insurance coverage and establishing publicly sponsored, privately operated alternatives. Both plans phase in the expansion in coverage over a period of years, although neither plan includes a detailed timetable for implementation.¹

The Bush and Clinton plans also differ in the methods used to control the rising cost of health care. The President's proposal emphasizes medical liability reform, expanded use of managed care, prevention, and streamlined administration through insurance market reform. The central element of the Governor's cost containment plan is global health spending controls. These controls are designed to limit the growth in health spending to the rate of growth in the average American's income. Managed care plans would have limitations on premium growth, and states would establish rates applying to all payers for indemnity plans. The plan also includes insurance reform, medical malpractice reform, and prevention efforts.

We analyzed the effects of each proposal during the 1993-2005 period on: 1) the expected number of uninsured persons; 2) the expected number of underinsured persons²; and 3) the estimated total health spending (which includes both public and private sector funds).

Without further policy changes, we estimate that there will be over 37 million Americans without health insurance in the year 2000. We estimate that the President's plan would extend coverage to about 29 percent (10.8 million) of all uninsured persons in 2000. This would leave 26.6 million persons uninsured in 2000 (See Table 1). Under the Clinton plan, all individuals would be insured through employer provided insurance or publicly sponsored, privately operated alternatives.³

We estimate that the number of underinsured individuals in the year 2000 would be reduced by approximately seven percent under the Bush proposal in comparison to current law. The decline in underinsurance would result primarily from the coverage of some previously uninsured individuals. Under the Clinton plan, we estimate the number of underinsured persons would decline by 63 percent due to the plan's core benefit package requirements, its cost containment provisions, and because all persons would have insurance.

In 2000, we estimate the President's plan would result in a net reduction from current projections in health spending of \$31 billion compared with a net reduction in health spending of \$211 billion under

¹ "The President's Comprehensive Health Reform Program," February 6, 1992; "Bill Clinton's American Health Care Plan," January, 1992; and Louis Sullivan, "The Bush Administration's Health Care Plan" and Bill Clinton, "The Clinton Health Care Plan," *The New England Journal of Medicine*, September 10, 1992, pp. 800-811.

² The underinsured are defined as members of a family in which out-of-pocket spending for physician services, hospital care, and prescription drugs exceeds 10 percent of income.

³ These publicly sponsored alternatives would be privately operated insurance that would have state government certification and subsidized premiums.

TABLE 1
ESTIMATED IMPACTS OF THE PROPOSALS IN 2000 AND 2005

	Current Law	Bush Proposal	Clinton Proposal
Number of Uninsured in Millions			
2000	37.4	26.6	0.0
2005	38.3	27.3	0.0
Number of Underinsured in Millions			
2000	21.1	19.7	7.9
2005	24.3	22.4	8.7
Health Spending in Billions (nominal dollars)			
2000	\$1,616	\$1,585	\$1,405
2005	\$2,432	\$2,386	\$1,951

Source: See text for a discussion of the assumptions underlying the estimates.

the Clinton plan (health spending includes both private and public sector expenditures).⁴ This would represent savings of approximately two percent and 13 percent, respectively, compared to current estimates of health care spending in 2000. In 2005, we estimate savings under the President's plan would be about \$46 billion compared to projected savings of \$481 billion under the Clinton plan.

HCFA projections indicate that health spending under current law will increase at an average annual rate of approximately 8.74 percent during the 1993 to 2005 period.⁵ Under the Bush plan, we estimate that the rate of increase will be restrained to 8.66 percent per year. Under the Clinton proposal, health spending increases are expected to average 6.8 percent annually over the period. The rate of growth in the Clinton plan is 1.9 percentage points less than the average annual rate of growth projected under current law. Although the Clinton plan's goal is to hold health spending to the growth in income,⁶ we project that health spending would grow 0.5 percentage points faster than the projected rate of growth in GNP due to the increased costs associated with the additional utilization of newly insured persons, because some types of health spending were assumed to not be subject to global budgets (such as

⁴ All estimates in this report are in nominal (current) dollars unless otherwise noted.

⁵ Projections of current law health spending and the rate of growth in GNP are based on projections from HCFA's Office of National Health Statistics for the years 1992 to 2000. See S.T. Sonnefeld, D.R. Waldo, J.A. Lemieux, and D.R. McKusick, "Projections of National Health Expenditures Through the Year 2000," *Health Care Financing Review*, Vol. 13, No. 1, p. 1-27.

⁶ Increases in average income were assumed to be equal to the projected rate of growth in the GNP.

research and public health activities), and because we assumed individuals would choose to pay privately for some services (such as private duty nursing and private hospital rooms).⁷

These estimates are a function of a large number of assumptions about the growth in spending and insurance coverage under current law as well as assumptions about the effect of each proposal. The difficulty in estimating the impacts of these plans is compounded by their lack of detail. Neither plan includes all the details to be implemented as policy. Thus, these estimates should be interpreted with caution; the impacts described here could change when these proposals are fully specified.

These estimates do not include any of the important second order effects of these proposals. For example, we did not examine the impact of the proposals on employment levels or wages. It is important to analyze these impacts in order to have a full understanding of the proposals. But it is difficult to estimate the impact of these effects at this time because of their lack of specificity in the proposals.

B. IMPACT ON INSURANCE COVERAGE

Both plans would have a significant impact on the number of uninsured and underinsured persons. The March 1992 Current Population Survey indicates that there were 35.4 million uninsured persons in 1991.⁸ By 2000, we estimate that, under current policy, the number of uninsured would grow to 37.4 million. We estimate that the number of uninsured persons in 2000 would be reduced by about 29 percent (10.8 million persons) under the President's plan. Under the Clinton plan, all Americans would have insurance by 2000 (Table 2).

TABLE 2
ESTIMATED NUMBER OF UNINSURED PERSONS UNDER
CURRENT LAW AND ALTERNATIVE PROPOSALS
(IN MILLIONS)

Year	Current Law	Bush Proposal	Clinton Proposal
2000	37.4	26.6	0.0
2005	38.3	27.3	0.0

Source: Lewin-ICF estimates using the Health Benefits Simulation Model (HBSM).

1. Uninsured Persons Under Current Policy

We projected the number of uninsured persons in 2000 and 2005 under current law by assuming that, through 2005, the percentage of persons within each age group without insurance would remain the same as reported in the March 1991 Current Population Survey (CPS). That is, if 10 percent of women

⁷ The Clinton plan is not specific about whether all health spending (including research) would be subject to the global expenditure caps. The plan is also silent on whether the cap is applied before or after the costs of covering the current uninsured. We assumed that the cap would not include research and some other activities and that it would not include the cost of additional utilization by the uninsured.

⁸ The March Current Population Survey reports the number of persons who were uninsured throughout the prior year.

age 45-54 were uninsured in 1990, we would assume that 10 percent of women in this age group would be uninsured in 2000. We then estimated the reduction in the number of uninsured persons under the two plans over this period as described below.

Our assumption that the percentage of persons within age groups who are uninsured will remain constant over time may be somewhat conservative. For example, while the uninsured population remained stable at about 13.2 to 13.5 percent during the 1984 through 1989 period, it recently increased to about 14.1 percent in 1991.

2. The Bush Plan

The Bush plan would encourage the purchase of insurance by: 1) requiring guaranteed issue and renewability of insurance coverage; and 2) a tax credit/deduction program designed to assist low- and middle-income individuals in purchasing insurance.

a. Insurance Market Reforms

Under the Bush plan, insurers certified by a state to offer benefit packages at the cost of the maximum tax subsidy would be required to accept all applicants for insurance coverage with guaranteed issue and renewability. Guaranteed issue and renewability would also apply to all employer plans. The Bush proposal would also limit premium variations; this would restrict the extent to which insurers could vary premiums with the health status of the applicant.

While the likely impact of these changes is difficult to predict, a Florida survey of employers who do not now offer insurance indicates that approximately five percent were unable to find an insurer who was willing to cover their workers.⁹ We assumed that five percent of all workers and dependents in firms who do not now offer insurance would obtain insurance as a result of this feature of the Bush plan. We estimate this would reduce the number of uninsured persons in 2000 by 1.6 million persons.

The limitations on premium variation under the Bush plan would affect premium payments for many employers. Employers with high cost groups would generally pay lower premiums while those with healthy groups would generally pay higher premiums. This is likely to result in increases in coverage among some groups while reducing coverage among others. We assumed that the coverage effects associated with premium variation limits would be offsetting and would have no net impact on the number of uninsured persons.^{10,11}

b. Tax Credit/Deduction Program

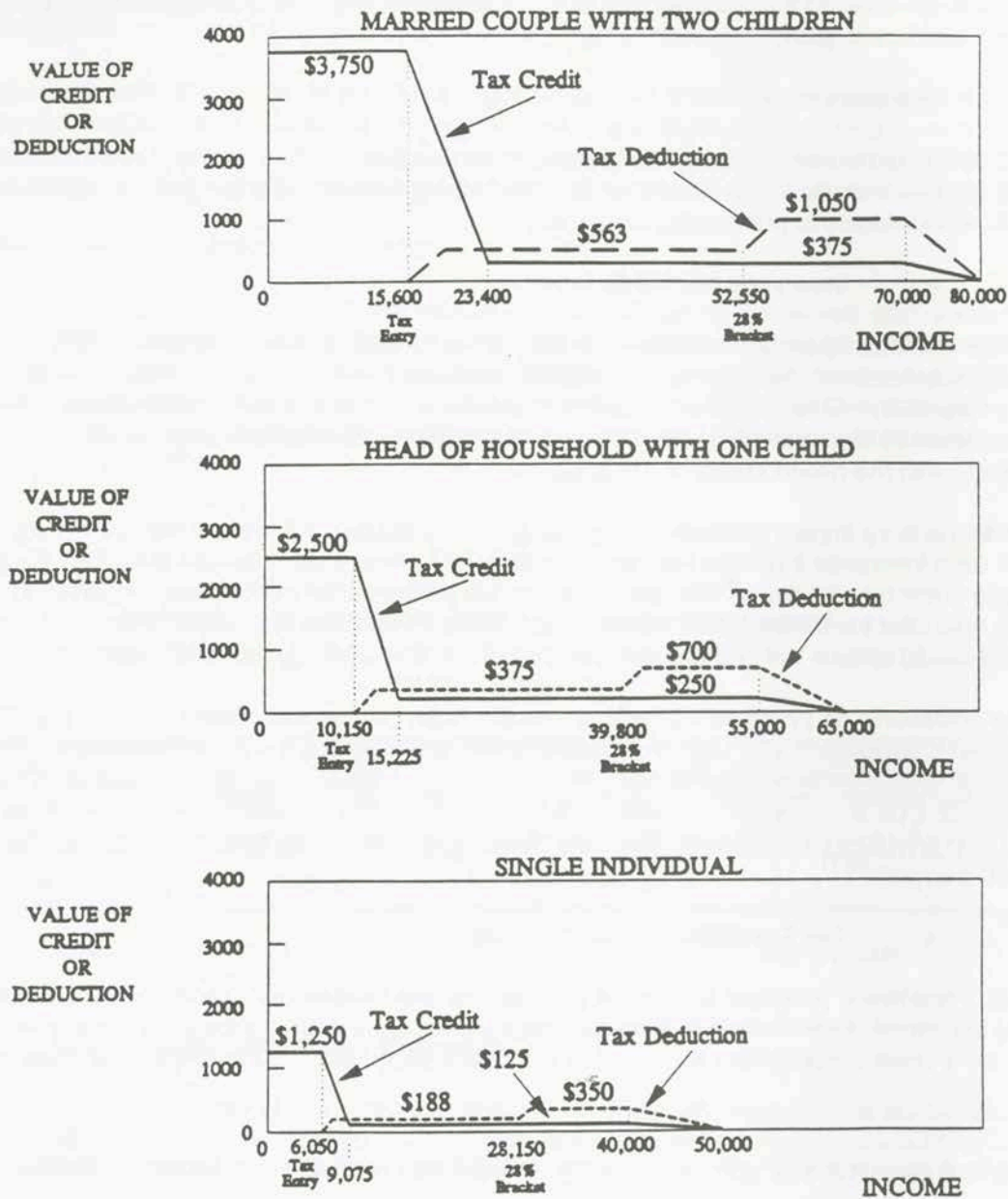
The President's proposal creates a program of refundable tax credits and deductions for purchasing insurance. Individuals with incomes below the tax entry point (roughly the poverty line) would be eligible for a credit ranging from \$1,250 for a single individual to \$3,750 for families of three or more.

⁹ The Small Business Group Health Insurance Survey, State of Florida Health Care Cost Containment Board.

¹⁰ If high cost groups are faced with lower premiums, some may purchase insurance coverage. On the other hand, if low cost groups now included in the guaranteed issue pools faced higher premiums, some employers and individuals may drop their insurance coverage.

¹¹ Henry Aaron also indicates that small-group insurance reform is unlikely to reduce the number of uninsured persons significantly. In fact, because of adverse selection, he concludes that "small-group reform will probably change coverage little and could actually reduce the number of people who are insured." Henry J. Aaron, Setting Domestic Priorities: What Can Government Do?, (Brookings, 1992) pp. 37-38.

FIGURE 1
 VALUE OF TAX SUBSIDY BY TYPE OF FILING UNIT
 ADMINISTRATION HEALTH REFORM PROPOSAL
 (IN 1993 DOLLARS)



SOURCE: Congressional Budget Office, testimony of Robert D. Reischauer before the Committee on Ways and Means, U.S. House of Representatives, March 4, 1992.

When fully phased in, a family of four with an adjusted gross income up to \$14,300 would obtain the maximum credit, enabling them to purchase \$3,750 of health insurance. A family of four, with income up to \$60,000, but without employer-sponsored health insurance, could take a tax deduction of \$3,750, providing about \$1,050 to help with the purchase of insurance. Families receiving insurance through employment would be permitted to deduct the portion they must pay in premiums. States would be required to develop a basic health insurance package that could be purchased with the tax credit, or the credit could be used toward the purchase of alternative insurance. These credits would be phased-out for higher income groups according to the schedule shown in Figure 1.¹² In addition, the self-employed may deduct the full cost of insurance with the resulting tax benefits shown in Figure 1. The combined effect of these changes in tax policy would be to reduce the cost of insurance to individuals with a resulting increase in insurance coverage.

It is difficult to estimate how these tax incentives would affect the purchase of insurance. We estimated the impact of this program on insurance coverage using assumptions developed from an analysis of the relationship between the cost of insurance and the purchase of individual non-group health insurance policies. The March 1991 CPS reports that there were 52.9 million persons under age 65 who did not have coverage through either employment or public programs, of whom 35 percent (18.5 million) purchased individual non-group coverage. We used this information to estimate the increase in the number of persons who would purchase coverage under the Bush plan in the following steps:

- We analyzed the March 1991 CPS data on the percentage of persons who did not have employer or public coverage but who purchased individual coverage. We tabulated the number who purchased insurance by the amount of their premium as a percent of their income. This was done by estimating the cost of non-group insurance for these individuals (based upon the average value of non-group insurance benefits by age estimated using the Lewin-ICF Health Benefits Simulation Model). As shown in Table 3, the percentage of persons purchasing individual insurance decreases as premiums as a percentage of income increases.
- We then estimated the value of the tax credit and deduction individuals would qualify for under the Bush plan. Individuals were assumed to take the greater of the tax credit or the deduction.
- We then calculated the after-tax cost of insurance under the Bush plan by subtracting the greater of the tax credit or the deduction from the estimated cost of insurance. This allowed us to calculate the cost of insurance as a percentage of income.
- The number of additional persons who would purchase individual coverage under the Bush plan was then estimated using Table 3 based upon the after-tax cost of insurance as a percentage of income.

Using these assumptions we estimate that the tax credit/deduction features of the Bush plan would reduce the number of uninsured persons by 9.2 million in 2000. These 9.2 million persons, plus

¹² Testimony by Robert D. Reischauer, Director, Congressional Budget Office, before the Committee on Ways and Means, U.S. House of Representatives, March 4, 1992.

TABLE 3
ESTIMATED PERCENTAGE OF PERSONS WITHOUT EMPLOYER OR PUBLIC
COVERAGE WHO PURCHASE INDIVIDUAL INSURANCE
BY INSURANCE COST AS A PERCENTAGE OF FAMILY INCOME IN 1990

INSURANCE COST AS A PERCENTAGE OF INCOME	ESTIMATED PERCENT WHO PURCHASE INDIVIDUAL COVERAGE
0% ^a	73%
1%	60%
2%	52%
3-4%	46%
5-6%	46%
7-8%	41%
9-10%	38%
11-12%	33%
13-14%	30%
15-16%	27%
17-18%	24%
19-20%	23%
21-30%	21%
31-40%	19%
41-55%	18%
56% or more	17%

^a Some individuals will find that the cost of insurance is fully covered by the tax credit. In these cases, we assume that the percentage taking the credit is the same as the percentage of persons potentially eligible for Medicaid who we estimate actually enroll in Medicaid (73 percent as estimated using the Health Benefits Simulation Model).

Source: Lewin-ICF estimates using the March 1991 Current Population Survey (CPS) data and nongroup insurance premium estimates developed using the Health Benefits Simulation Model.

the additional coverage due to insurance market reforms (1.6 million), would lead to an estimated reduction in the uninsured population of 10.8 million persons in 2000.^{13,14}

3. The Clinton Plan

The Clinton plan would provide health insurance coverage to all Americans. We assumed that under the Clinton plan, employers would be required to contribute to the cost of insuring their workers and dependents either by: 1) offering insurance; or 2) purchasing a publicly sponsored, privately operated program which would then provide coverage to their workers and dependents together with subsidies for small business.¹⁵ Non-workers who were not otherwise insured through employment or Medicare would be covered under publicly sponsored, privately operated alternatives. Because individuals would be required to enroll in an insurance plan that is available to them, we assumed that the program would achieve its goal of universal coverage. Although it is possible that some individuals will fail to enroll, we assumed that, through required enrollment at the point of health care receipt, the number of uninsured persons would be reduced to zero under the Clinton plan.

The Clinton plan does not specify the phase-in schedule for coverage of the uninsured. Governor Clinton has stated that he will phase in coverage of the uninsured as health care cost containment savings are realized. It is unclear how these savings will be defined. However, even if strictly defined as savings to the federal government, it appears that coverage for the uninsured could be phased in before 2000.¹⁶

C. UNDERINSURANCE

Estimating the number of underinsured persons is difficult because there is no standard definition of underinsurance. We defined the underinsured as persons who had out-of-pocket expenditures (excluding premium payments) for health services in excess of 10 percent of income. We included out-of-pocket spending by families for hospital stays, physician services, and prescription drugs. Out-of-pocket payments for nursing home care, eyeglasses, dental care, non-prescription drugs, and premiums were excluded from the definition of underinsurance.

We estimate that under current policy there would be 21.1 million persons with out-of-pocket health expenditures in excess of 10 percent of income in 2000 (Table 4). Under the Bush plan, the

¹³ This estimate is generally consistent with an estimate developed by Ken Thorpe that 9.2 million persons would be newly covered under the Bush plan. His estimates are based upon enrollment rates in various demonstration programs funded by the Robert Wood Johnson Foundation and estimated price elasticities for the cost of insurance. See Kenneth E. Thorpe, "Comments on President Bush's Comprehensive Health Reform Proposal," unpublished paper, Department of Health Policy and Administration, University of North Carolina at Chapel Hill, July 1992.

¹⁴ On the other hand, these estimates may be optimistic. Although Henry Aaron argues that the Bush plan's tax credits would lead many people who currently find insurance unaffordable to buy it, he indicates that, "Paradoxically, the President's plan could narrow insurance coverage by making it easier for employers to cancel insurance they now sponsor." Aaron contends that many employers would cancel their coverage and distribute some or all of their current premiums to workers as higher wages. Some of these workers would elect to take the higher wages and forgo insurance. See Aaron, Setting Domestic Priorities: What Can Government Do?, pp. 39-40.

¹⁵ Bill Clinton, "The Clinton Health Care Plan," The New England Journal of Medicine, September 10, 1992, pp. 804-807.

¹⁶ Henry Aaron's analysis is consistent with this finding. He states that, "Just a 2 percentage-point slowdown in the growth of Medicare and Medicaid projected under current law would reduce spending more than enough by the year 2000 to offset the added cost of providing universal coverage." See Aaron, Setting Domestic Priorities: What Can Government Do?, p. 61.

number of underinsured would be reduced by about 1.4 million persons in 2000. Under the Clinton plan, the number of underinsured persons would be reduced by 13.2 million persons in 2000.¹⁷ These estimates reflect both the increase in coverage under these plans and the estimated impact of cost containment measures on out-of-pocket health spending.

1. Defining Underinsurance

The underinsured are persons who, despite the fact that they have health insurance, continue to be at risk of incurring high out-of-pocket expenditures. Because there is no widely accepted definition of underinsurance, we defined the underinsured as all persons who are in a family in which out-of-pocket health expenditures exceeds 10 percent of family income.¹⁸ We included out-of-pocket spending by families for hospital stays, physician services, and prescription drugs. Out-of-pocket payments for nursing home care, eyeglasses, dental care, non-prescription drugs, and premiums were excluded from this definition.

Using the Lewin-ICF Health Benefits Simulation Model, we estimate that there are 15.1 million persons in families with out-of-pocket health expenditures in excess of 10 percent of income in 1992. This number is projected to grow to 21.1 million by 2000. This is a narrow definition of underinsurance for two reasons. First, it excludes insured individuals with equally limited coverage who are at risk of incurring this level of expenditures, but who are not projected to use a high level of health care due to good health or other factors. Second, it excludes out-of-pocket costs for nursing home care, eyeglasses, dental care, and non-prescription drugs. In spite of these limitations, this measure of underinsurance provides a useful basis for comparing the relative impacts of these health reform plans on underinsurance.

2. The Bush Plan

The primary impact of the Bush plan on underinsurance stems from the proposal's increases in health insurance coverage. We estimate that the number of persons with out-of-pocket expenses in excess of 10 percent of family income would be reduced by about 1.4 million persons due to the expansion of coverage under the Bush plan. We developed these estimates by assuming that the 10.8 million newly insured persons under the Bush plan would have levels of patient cost sharing which were similar to the cost sharing levels for persons who now have non-group insurance. This implies that newly covered persons would buy coverage that is similar to the current non-group insurance coverage purchased.

Unlike the Clinton plan, the Bush plan does not specify a minimum level of coverage and does not provide subsidies to defray patient cost sharing expenses. The availability of tax credits and deductions in the Bush plan may encourage some individuals who now have very limited coverage to

¹⁷ Table 5 presents results for the non-elderly population only.

¹⁸ Other approaches to measuring the number of underinsured persons have been developed using 1977 data. (See Pamela J. Farley, "Who are the Uninsured?" *Milbank Memorial Fund Quarterly* 63 (Summer 1985): 476-503.) The 1977 data are old and do not reflect recent trends in health spending relative to income, the increased use of pre-existing condition clauses in health plans, and increases in patient cost sharing. Unfortunately, the detailed health plan characteristics data required to update these estimates will not be available until the end of the year.

TABLE 4

ESTIMATED NUMBER OF NON-INSTITUTIONALIZED PERSONS WITH
 OUT-OF POCKET HEALTH SPENDING IN EXCESS OF 10 PERCENT
 OF INCOME UNDER ALTERNATIVE PROPOSALS
 (in millions)

Year	Current Law	Bush Proposal	Clinton Proposal
2000	21.1	19.7	7.9
2005	24.3	22.4	8.7

Note: Out-of-pocket spending includes direct payments by families for hospital stays, physician services, and prescription drugs. Direct payments for nursing home care, eyeglasses, dental care, non-prescription drugs, and premiums were excluded.

Source: Lewin-ICF estimates using the Health Benefits Simulation Model (HBSM).

TABLE 5

NUMBER OF NON-ELDERLY NON-INSTITUTIONALIZED PERSONS WITH
 OUT-OF POCKET HEALTH SPENDING IN EXCESS OF 10 PERCENT
 OF INCOME UNDER ALTERNATIVE PROPOSALS
 (in millions)

Year	Current Law	Bush Proposal	Clinton Proposal
2000	15.6	14.5	3.6
2005	18.0	16.5	4.0

Note: Out-of-pocket spending includes direct payments by families for hospital stays, physician services, and prescription drugs. Direct payments for nursing home care, eyeglasses, dental care, non-prescription drugs, and premiums were excluded.

Source: Lewin-ICF estimates using the Health Benefits Simulation Model (HBSM).

upgrade to a more comprehensive plan. However, we assumed that currently covered persons would not upgrade their coverage.¹⁹ In addition, if more persons shift to HMOs, which typically require lower out-of-pocket expenses, the number of underinsured persons may decline under the Bush plan. On the other hand, the value of the tax credits and deductions under the Bush plan are likely to erode over time because they would be adjusted by the CPI, which has increased much less rapidly than medical prices during the last decade. This will likely lead to a cutback in the value of insurance purchased through the tax credits.

3. The Clinton Plan

The Clinton plan would establish a core benefits package that would be available to all Americans through either employment-based insurance or a publicly sponsored, privately operated plan. The Clinton plan would require this insurance to cover hospital inpatient and outpatient care, physician services, preventive care, well child and prenatal care, and prescription drugs. Although the plan does not specify the maximum level of cost sharing permitted under the plan (deductibles, coinsurance etc.), it does indicate that copayments must not be burdensome.²⁰

We estimated the impact of the Clinton plan on family out-of-pocket spending by assuming that all individuals would be included in a plan that would cover at least the services specified in the Clinton plan. We also assumed that the Clinton plan would require a maximum \$250 deductible per person with 20 percent coinsurance and a maximum out-of-pocket limit of \$3,000 per family.²¹ We estimate that, under this formulation, the number of persons in families with out-of-pocket expenditures in excess of 10 percent of family income would be reduced by 13.2 million persons in 2000 (Table 4).²²

D. NATIONAL HEALTH SPENDING

Both the Bush and the Clinton plans include a program for controlling the rising cost of health care. Under both plans, the savings resulting from these cost containment initiatives would be partly offset by increases in utilization among previously uninsured persons who become covered under these plans.

The Health Care Financing Administration (HCFA) projects that health spending will increase from \$888.7 billion in 1993 to about \$1.61 trillion by 2000.²³ This represents an average annual increase in

¹⁹ Individuals and employers faced with lower premiums due to improved competition and the tax credit/deduction may choose to purchase a higher level of health insurance coverage which in turn may reduce the number of underinsured persons under the Bush plan. On the other hand, some individuals and groups currently in low cost groups will face higher premiums for their current coverage due to the guaranteed issue provisions of the proposal and these persons may downgrade their coverage as a result.

²⁰ "Bill Clinton's American Health Care Plan," Little Rock, Arkansas: Bill Clinton For President Committee, 1992.

²¹ As directed by the Bipartisan Panel on Presidential Candidates' Health Reform Plans, these cost-sharing assumptions are based on Senate Bill 1227, "Health America: Affordable Health Care for All Americans," sponsored by Senators Mitchell, Kennedy, Riegle, and Rockefeller, January, 1992.

²² The estimate of the reduction in the number of underinsured under the Clinton proposal could be higher or lower depending upon how the cost-sharing provisions instituted by the national health board differ from those assumed here.

²³ S.T. Sonnefeld, D.R. Waldo, A. Lemieux, and D.R. McKusick, "Projections of National Health Expenditures Through the Year 2000," *Health Care Financing Review*, 1991, Vol. 13, No. 1: pp. 1-27. The Office of National Health Statistics provides projections for the years 1992, 1995, and 2000. For this analysis, we used the average annual rate of change from 1992 to 1995 to estimate expenditures in 1993. We also assumed the trends from 1995 to 2000 continue to the year 2005.

per capita health spending of about 8.2 percent which is more than the HCFA-projected rate of increase in the GNP during this period (6.3 percent) and more than twice the projected rate of general price inflation over this period. We estimate that the net effect of the Bush plan on national health spending would be savings of \$31 billion in 2000. We estimate that health spending under the Clinton plan in 2000 would be about \$211 billion lower than projected under current law.

1. The Bush Plan

The savings from the cost containment features of the Bush plan would be offset in part by the costs of covering the uninsured. As discussed above, we estimate that the Bush plan would reduce the number of uninsured persons in 2000 by about 10.8 million persons. We assumed that the utilization of health services for previously uninsured persons would increase to levels reported by insured persons with similar age, sex, income, and health status characteristics. Using the Lewin-ICF Health Benefits Simulation Model, we estimate that the increase in utilization would increase spending by \$9.2 billion in 2000 (Table 6).

These increases in utilization would be more than offset by reductions in health spending attributable to the cost containment measures under the Bush plan. These include:

- Insurance market reform;
- Electronic claims processing;
- Medical liability reforms;
- Expanded use of coordinated care;
- Preempting state minimum benefits;
- Promoting competition; and
- Increased funding for prevention programs.

We estimate that the combined impact of these cost containment initiatives would be savings of \$40.1 billion in 2000, for net savings of \$30.9 billion with the increased spending for the newly insured in that year (Table 6). The methods used to develop these savings estimates are explained below.

a. Insurance Market Reforms

The Bush plan includes several insurance reforms which would substantially alter the way in which insurance is marketed and thereby both improve access and reduce administrative costs. These reforms include:

- All employer health plans and individual plans which are purchased with health insurance tax credits or deductions would have to be guaranteed issue and guaranteed renewable. Health status would not be a permissible consideration in determining whether to cover an individual.
- Coverage would be portable, allowing workers to change jobs without loss of coverage due to preexisting condition exclusions.
- Premium variations by health status would be restricted through premium bands and the creation of health risk pools.
- Small groups would be able to purchase insurance coverage through health insurance networks (HIN) that would extend large group economies of scale to small employers.

TABLE 6
CHANGES IN HEALTH SPENDING
UNDER THE PRESIDENT'S HEALTH REFORM PLAN IN 1993 THROUGH 2005

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
National Health Spending	\$888.7	\$976.2	\$1,072.7	\$1,164.1	\$1,263.3	\$1,371.7	\$1,488.4	\$1,615.9	\$1,753.6	\$1,902.9	\$2,065.1	\$2,241.1	\$2,431.9
INCREASED COVERAGE													
Utilization for Newly Insured	\$0.0	\$1.0	\$2.4	\$3.9	\$5.1	\$7.8	\$8.4	\$9.2	\$10.0	\$10.8	\$11.7	\$12.7	\$13.8
COST CONTROLS													
Insurance Market Reforms	(4.)	(4.7)	(5.1)	(5.5)	(5.9)	(6.5)	(6.9)	(7.5)	(8.1)	(8.8)	(9.6)	(10.4)	(11.3)
Electronic Claims Processing													
Insurers	(0.1)	(0.3)	(0.4)	(0.6)	(0.7)	(0.8)	(0.9)	(1.0)	(1.1)	(1.1)	(1.2)	(1.2)	(1.3)
Providers	(0.2)	(0.6)	(0.8)	(1.2)	(1.4)	(1.6)	(1.8)	(2.0)	(2.2)	(2.2)	(2.3)	(2.4)	(2.6)
Medical Liability Reform													
Malpractice Premiums	0.0	0.0	(0.6)	(1.3)	(2.1)	(3.2)	(3.6)	(4.0)	(4.3)	(4.7)	(5.1)	(5.5)	(6.0)
Defensive Medicine	0.0	0.0	(1.7)	(3.6)	(5.9)	(8.9)	(10.1)	(11.2)	(12.0)	(13.2)	(14.3)	(15.4)	(16.8)
Coordinated Care													
Preempt State Legislative Barriers	(0.1)	(0.2)	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)	(0.6)	(0.6)	(0.7)	(0.7)	(0.8)	(0.8)
Expand Managed Care in Small Groups	(0.1)	(0.3)	(0.5)	(0.5)	(0.6)	(0.6)	(0.7)	(0.7)	(0.8)	(0.9)	(0.9)	(1.0)	(1.1)
Medicaid Managed Care Option	(0.3)	(0.6)	(1.1)	(1.6)	(1.7)	(1.9)	(2.0)	(2.2)	(2.4)	(2.6)	(2.9)	(3.1)	(3.4)
Expand Medicare Managed Care Options	0.0	(1.2)	(1.4)	(1.5)	(1.6)	(1.8)	(1.9)	(2.1)	(2.3)	(2.4)	(2.6)	(2.9)	(3.1)
Preempt State Mandated Benefits	(1.2)	(1.4)	(1.5)	(1.6)	(1.8)	(1.9)	(2.1)	(2.3)	(2.4)	(2.6)	(2.9)	(3.1)	(3.4)
Promote Competition	(0.4)	(0.9)	(1.3)	(1.4)	(1.7)	(1.8)	(2.0)	(2.2)	(2.4)	(2.6)	(2.8)	(3.1)	(3.4)
Expand Prevention	(0.7)	(1.4)	(2.0)	(2.7)	(3.4)	(3.7)	(3.9)	(4.3)	(4.6)	(5.1)	(5.5)	(5.9)	(6.5)
Total Savings	\$(7.5)	\$(11.6)	\$(16.8)	\$(21.9)	\$(27.2)	\$(33.2)	\$(36.4)	\$(40.1)	\$(43.2)	\$(46.9)	\$(50.8)	\$(54.8)	\$(59.7)
NET IMPACT ON SPENDING													
Net Change in Spending	\$(7.5)	\$(10.6)	\$(14.4)	\$(18.0)	\$(22.1)	\$(25.4)	\$(28.0)	\$(30.9)	\$(33.2)	\$(36.1)	\$(39.1)	\$(42.1)	\$(45.9)

Source: Lewin-ICF estimates.

These provisions would reduce small group insurer administrative costs substantially. Insurer administrative costs in small firms are currently equal to as much as 40 percent of benefit payments (Table 7). By comparison, administrative costs for large firms are typically equal to only about five percent of claims. The Bush plan would reduce administrative costs by: 1) reducing the practice of medical underwriting; 2) restricting pre-existing condition limitations; and 3) reducing large premium variations across insurers that often lead to frequent changes in coverage. These measures would reduce the administrative costs associated with establishing an insurance policy and reduce claims processing costs by eliminating the need to cross-check with pre-existing condition data.²⁴ These reforms would also reduce the frequency of changes in sources of coverage, resulting in lower marketing costs and substantially reduced profits derived from risk selection.

We estimated the impact of these changes on insurer administrative costs based upon a study of the impact of mandatory pooling arrangements for small businesses conducted by Hay/Huggins for the Congressional Research Service.²⁵ This study estimated the change in claims processing and general administrative costs resulting from the adoption of a standardized health plan provided to all groups at a uniform community rate. We further assumed that, under these reforms, insurer profits and marketing costs in small firms would be roughly the same as for groups with between 100 and 500 employees due to the elimination of risk selection profits and reduced turnover in sources of insurance. Using these assumptions, we estimate that administrative savings would be \$7.5 billion in 2000.

b. Electronic Claims Processing

The Bush plan would also set standards for electronic claims processing which would facilitate wide-scale submission of electronic claims. While actual data on the use of electronic claims filing systems are largely unavailable, industry analysts indicate that roughly one-third of all claims are now filed electronically. More claims would be filed in this manner, but nearly all insurers require that the claims be submitted in their own unique electronic claims format. The Bush plan eliminates this obstacle by establishing standards for electronic claims processing.

We estimated the impact of this standardization requirement based upon industry data indicating that insurer claims processing costs would be reduced by about \$0.50 per claim.²⁶ We assumed that provider costs of filing claims would be reduced by about \$1.00 per claim; these savings reflect the higher cost of compiling the information currently required in the forms. We also assumed that no more than 85 percent of all claims will ultimately be filed electronically reflecting the fact that many providers require patients to submit their own claims.²⁷ These savings were assumed to be phased in over the first five years of the program with savings of \$3.0 billion per year by 2000.

²⁴ Lewin-ICF, "Projecting the Changing Employer Health Insurance Environment: 1987-1994," prepared for the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, June 1990.

²⁵ Congressional Research Service, "Costs and Effects of Extending Health Insurance Coverage," Library of Congress, October 1988.

²⁶ John F. Sheils and Gary J. Young, "National Health Spending Under a Single-Payor System: The Canadian Model," Staff Working Paper, January 8, 1992.

²⁷ Less than 100 percent participation is assumed because electronic claim filing would not be mandatory under the Bush proposal.

TABLE 7
INSURANCE COMPANY ADMINISTRATIVE EXPENSE
BREAKDOWN AS A PERCENT OF INSURANCE CLAIMS
UNDER CURRENT POLICY AND THE BUSH REFORM OPTION PLAN

Number of Employees	Claims Administration		General Administration		Risk and Profit		Commissions		Other		TOTAL	
	Current Policy	Bush Reform	Current Policy	Bush Reform	Current Policy	Bush Reform	Current Policy	Bush Reform	Current Policy	Bush Reform	Current Policy	Bush Reform
1 to 4	9.3%	5.0%	12.5%	6.0%	8.5%	5.5%	8.4%	1.6%	1.3%	0.8%	40.0%	18.9%
5 to 9	8.6	5.0	11.2	6.0	8.0	5.5	6.0	1.6	1.2	0.8	35.0	18.9
10 to 19	7.2	5.0	9.2	5.5	7.5	5.5	5.0	1.6	1.1	0.8	30.0	18.4
20 to 49	6.3	4.5	7.6	5.0	6.8	5.5	3.3	1.6	1.0	0.8	25.0	17.4
50 to 99	4.3	4.0	4.8	4.8	6.0	5.5	2.0	1.6	0.9	0.7	18.0	16.6
100 to 499	4.1	4.0	4.0	4.0	5.5	5.5	1.6	1.6	0.8	0.7	16.0	15.8
500 to 2,499	3.9	3.9	3.2	3.2	3.5	3.5	0.7	0.7	0.7	0.7	12.0	12.0
2,500 to 9,999	3.8	3.8	1.4	1.4	1.8	1.8	0.3	0.3	0.7	0.7	8.0	8.0
10,000 or more	3.0%	3.0%	0.7%	0.7%	1.1%	1.1%	0.1%	0.1%	0.6%	0.6%	5.5%	5.5%

Source: Lewin-ICF estimates derived from Hay/Huggins data as it appeared in: Congressional Research Service, "Cost and Effects of Extending Health Insurance Coverage," Library of Congress, October 1988.

c. Medical Liability Reforms

The Bush plan would encourage states to adopt several malpractice reforms designed to reduce medical liability costs. One survey indicated that physicians paid about \$5.6 billion for medical malpractice insurance in 1989.²⁸ A General Accounting Office (GAO) study indicates that hospital malpractice insurance costs were \$1.3 billion in 1985.²⁹ Based upon these data, we estimate that total malpractice insurance costs in 1993 would be about \$10 billion. Other studies suggest that up to \$25 billion in health spending is attributable to defensive medicine (i.e., services prescribed solely for the purpose of avoiding professional liability).³⁰ The tort reforms that the Bush plan would encourage states to adopt include:³¹

- Capping the amount of allowable non-economic damages;
- Eliminating joint and several liability for non-economic damages;
- Eliminating the collateral source rule that allows for double recovery;
- Requiring structured payments for malpractice awards, as opposed to lump sum payments;
- Promoting pretrial alternative dispute resolution, including mediation and pretrial screening panels, to encourage reasonable settlements; and
- Implementing procedures to enhance the quality of care.

Although the Bush plan does not explain how states would be "encouraged" to adopt these reforms, we assumed that these reforms would be adopted nationwide. If adopted nationwide, we estimate that these reforms would reduce malpractice insurance and defensive medical costs by \$15.2 billion in 2000. The methods used to develop these estimates are described below.

Malpractice Insurance: We estimated the impact of these reforms on provider liability premium costs based upon empirical research examining the effectiveness of malpractice liability reforms which have been implemented at the state level.^{32,33} Only a few of the set of proposed reforms described above show evidence of contributing to significant reductions in claims payments. Danzon found that a

²⁸ Roger A. Reynolds, John A. Rizzo, and Martin L. Gonzalez, "The Cost of Medical Professional Liability," Journal of the American Medical Association, May 22/29, 1987, Vol. 257, No. 20.

²⁹ General Accounting Office, "Medical Malpractice Insurance Costs Increased, But Varied Among Physicians and Hospitals," U.S. House of Representatives, HRD-86-112.

³⁰ J.E. Moser and R.A. Musacchio, "The Costs of Medical Professional Liability in the 1980's," Medical Practice and Management, pp. 6-9, Summer 1991; R.A. Reynolds, J.A. Rizzo, and M.L. Gonzalez, "The Costs of Medical Professional Liability," Journal of the American Medical Association, Vol. 257, No. 20, pp. 2776-2781, 1987; General Accounting Office, "Medical Malpractice Insurance Costs Increased, But Varied Among Physicians and Hospitals," U.S. House of Representatives, HRD-86-112.

³¹ "The President's Comprehensive Health Reform Program," February 6, 1992, pp. 50-51.

³² P. Danzon, "New Evidence on Malpractice Claims" in Medical Malpractice: Can the Private Sector Find Relief?, Law and Contemporary Problems, Duke University School of Law, Vol. 49, No. 2, Spring 1986.

³³ R. Sloan and R. Bovbjerg, "Medical Malpractice: Crises, Response and Effects," HIAA Research Bulletin, May 1989.

cap on the amount of damages that can be awarded reduced average claim severity by 23 percent.³⁴ The mandatory offset of collateral sources was found to reduce awards by between 11 and 25 percent. Measures affecting the statute of limitations for adult claims have been found to reduce the number of claims paid by six to seven percent. Although arbitration has been found to reduce the amount paid per claim, this approach is likely to be associated with an offsetting increase in claims. However, there was generally a lag of two or more years before these changes affected the number of claims due to a backlog of cases under pre-reform law.

These studies suggest reductions in malpractice claims of up to 25 percent associated with these measures. However, the impact of implementing these reforms nationwide is likely to be dampened by the fact that many states have already implemented some of these reforms. We assumed that these reforms would ultimately reduce malpractice premiums by 20 percent. However, we assumed no change in premiums during the first two years (1993 and 1994) due to a backlog of cases under pre-reform law. These premium savings were assumed to be phased in during the 1995 through 1998 period. Total malpractice premium savings were estimated to be \$4.0 billion in 2000 (Table 8).

TABLE 8
ESTIMATED REDUCTIONS IN MALPRACTICE PREMIUMS
AFTER ENACTMENT OF MEDICAL LIABILITY TORT REFORMS
(IN BILLIONS)

	1993	1994	1995	1996	1997	1998	1999	2000
Premiums								
Current	\$10.2	\$11.2	\$12.2	\$13.3	\$14.7	\$15.9	\$17.3	\$18.8
Reduced	10.2	11.2	11.6	12.0	12.6	12.7	13.7	14.8
Premium Savings	\$0.0	\$0.0	\$0.6	\$1.3	\$2.1	\$3.2	\$3.6	\$4.0

Source: Lewin-ICF estimates.

Defensive Medicine: Little evidence is available on how changes in malpractice liability will affect medical practice. The only empirical research on the costs of professional liability indicate that each dollar in malpractice insurance premium payments is associated with about \$2.80 in other professional liability costs, most of which is additional utilization of health services.³⁵ We assumed that defensive medical costs would be reduced by about \$2.80 for every dollar reduction in malpractice insurance payments resulting from the President's reforms. Using this assumption, we estimate that the President's plan would reduce defensive medical costs by \$11.2 billion in 2000 (Table 6).³⁶

This probably represents a high-range estimate of potential savings in defensive medicine. There are many other factors besides liability avoidance that have shaped medical practice such as medical training, financial incentives, and patient expectations. Physicians are likely to continue to practice

³⁴ Elimination of the relatively small number of claims with very high damages would clearly be expected to have this effect on the average.

³⁵ Rodger Reynolds, "The Cost of Medical Professional Liability in the 1980s," Center for Health Policy Research, American Medical Association, Chicago, Illinois, September 1990.

³⁶ This estimate falls within the range of potential savings in defensive medicine estimated in: Lewin-ICF, "Estimating the Costs of Defensive Medicine," September 1992.

defensive medicine to avoid the psychic costs and lost income associated with preparing for trial.³⁷ Moreover, experience with Medicare payment reforms and managed care initiatives has demonstrated that aggressive interventions are typically required to affect significant changes in medical practice. Thus, it is unclear that changes in premium payments would in themselves result in substantial changes in physician practice. The effectiveness of these reforms could be enhanced by incorporating the use of medical practice parameters into the process of adjudicating claims as is contemplated in the President's proposal.³⁸

d. Expanded Use of Coordinated Care

The President's plan includes several initiatives to expand the use of coordinated care programs such as health maintenance organizations (HMOs) and preferred provider organizations (PPOs). These include: preemption of state legislative barriers to managed care, making managed care plans available to small businesses through HINs, and expanded use of managed care in public programs. These cost containment efforts are discussed below.

Preempt State Legislative Barriers to Managed Care: The Bush plan appears to preempt all state legislation restricting the use of coordinated care programs.³⁹ These legislative barriers include restrictions on reimbursement rates and selective contracting, restrictions on patient financial incentives, and restrictions on utilization review. The President's plan also relaxes anti-trust regulation to give providers greater flexibility in forming PPOs. Unfortunately, there is little data on the extent to which these barriers have slowed the growth in managed care programs.

We assumed that eliminating these barriers would result in a 10 percent increase in the number of privately insured persons enrolled in HMOs.⁴⁰ We estimate that this would reduce health spending for persons who are newly enrolled in the programs by 6.8 percent. This estimate is based upon a Lewin-ICF analysis of inpatient and outpatient utilization in HMO and fee-for-service programs (Table 9). These savings were assumed to phase in over the first three years of the program reaching \$0.55 billion by 2000 (Table 6).

Managed Care in HINs: The Bush plan would require all health insurance networks (HINs) to offer a coordinated care option. This would increase the availability of managed care coverage to the small businesses served by HINs because HMOs typically avoid marketing coverage to small groups. We assumed that the percentage of workers in small firms enrolled in HMOs would increase to the level reported among larger firms.

Medicaid Managed Care: The Bush proposal permits states to either: 1) shift non-elderly recipients to coordinated care programs over a five year period; or 2) establish a unified program that combines Medicaid with the new federal health insurance credit to provide coverage to all state residents below poverty, wherein participants would have access to managed care plans through HINs.

³⁷ Testimony by Robert D. Reischauer, Director, Congressional Budget Office, before the Committee on Ways and Means, U.S. House of Representatives, March 4, 1992.

³⁸ The President's proposal calls for the Secretary of the Department of Health and Human Services to study the use of medical practice parameters in adjudicating medical liability cases.

³⁹ The President's plan states that it "would protect health plans from anti-coordinated care laws and regulations," "The President's Comprehensive Health Reform Program," p. 42.

⁴⁰ About 15 percent of all workers are in a Health Maintenance Organization. See: GHAA's National Directory of HMOs, 1990 edition.

TABLE 9
SELECTED AGE AND SEX-ADJUSTED UTILIZATION MEASURES
AMONG THE NON-ELDERLY FOR ALTERNATIVE INSURED ARRANGEMENTS

	Fee for Service	IPA Model HMO		Group Model HMO		All HMOs	
		Amount	Percent Difference	Amount	Percent Difference	Amount	Percent Difference
Hospital Days (per 1,000)	419	390	(6.9%)	339	(19.1%)	370	(11.7%)
Physician Visits (per capita)	3.35	3.64	8.7%	3.67	9.6%	3.63	8.4%

Source: Lewin-ICF analysis of the 1989 National Health Interview Survey Health Insurance Supplement data.

Unfortunately, one cannot predict the number of states selecting this option. However, we do know that the potential savings due to managed care is limited by the fact that much of the population lives in areas of relatively low population density where managed care plans are more difficult to implement. We assumed that the net effect of these provisions would be to shift about one-third of all Medicaid recipients to coordinated care plans which are paid on a capitated basis. We assumed that savings for these individuals would be the same as for HMO's in the private sector (6.8 percent). These savings were assumed to be phased in over the first five years of the program.

Medicare Managed Care: The President's plan would expand the use of managed care for Medicare recipients by: 1) creating new options for Medicare enrollees (through point of service plans); and 2) increasing Medicare payments to HMOs from 95 percent to 100 percent of the adjusted average per capita cost (AAPCC). About six percent of Medicare enrollees are now included in HMOs. We assumed that the combined effect of these provisions would be to increase Medicare enrollment in HMOs to the national average for privately insured persons (15 percent) and that savings would be equal to the assumed nationwide average for HMOs (6.8 percent).⁴¹

e. Preemption of State Minimum Benefits Laws

The Bush plan would preempt state mandated benefits laws. State mandates include: newborn care (46 states), psychiatric care (37 states), chiropractors (35 states), dental care (27 states) and other services. State mandated benefits have been estimated to add about 15 percent to the cost of health insurance.⁴²

⁴¹ We note that the increase in HMO payments to 100 percent of the AAPCC level means that the savings would not be realized as quickly as the increased HMO enrollment.

⁴² John Gabel and Gail Jensen, "The Price of Mandated Benefits," *Inquiry* 26: 419-431 (Winter 1989).

We assumed that half of all employers who now purchase insurance would eliminate coverage for at least some state mandated benefits (i.e., some may wish to retain dental coverage, etc.). Utilization of these services for persons in plans that discontinue these benefits was assumed to decline by about 20 percent.⁴³ These potential savings do not apply to self-insured plans because they are already exempt from state benefit mandates under the Employee Retirement Income Security Act of 1974.

f. Promoting Competition

The President's plan would require states to compile and publish data on provider prices. These data would encourage provider competition and facilitate selective contracting. This competitive model is used in California and is estimated to have reduced the annual rate of growth in hospital costs by about 10 percent.⁴⁴ We assumed that, under this provision, the growth in hospital spending would be slowed by 10 percent per year. Savings were assumed to occur only in states that do not now have hospital rate setting systems or a comparable competitive model. Savings were assumed to be phased in over a three year period.

g. Increased Funding for Prevention Programs

The Bush proposal would increase funding for prevention programs by about \$1.0 billion. The savings resulting from these efforts are difficult to estimate since the savings attributable to prevention typically do not accrue for several years (cholesterol monitoring, cancer detection etc.) However, prenatal care has been estimated to save up to \$3.40 for every dollar spent.⁴⁵ We assumed that the increased investment in prevention under the Bush plan would result in savings of \$3.40 for every dollar spent, but that these savings would be phased in over a period of five years. Using this assumption, we estimate total savings from preventive activities under the Bush plan of \$4.3 billion in 2000 (Table 6).⁴⁶

2. The Clinton Plan

The Clinton plan contains many of the same mechanisms as the Bush plan for containing health care cost increases, such as insurance reform, medical malpractice reform, delivery system reform, and prevention efforts. The cornerstone of the cost containment provisions in the plan is the establishment of a national health budget that would restrain the rate of growth in health spending so that it would grow no faster than the rate of growth in family income, which we assumed to be roughly equivalent to the growth in the Gross National Product (GNP).⁴⁷ In the 1993 to 2000 period, the HCFA Office of National Health Statistics projects growth in the GNP to be between 6.3 and 6.4 percent annually. HCFA also estimates that health expenditures during this period will increase approximately 8.7 percent annually.

⁴³ We assumed that a one percent change in the price of health services to the individual would be associated with a 0.2 percent reduction in utilization of these services.

⁴⁴ James Robinson and Harold Luft, "Competition, Regulation, and Hospital Costs, 1982 to 1986", *JAMA*, November 11, 1988, Vol. 260, No. 18.

⁴⁵ Institute of Medicine, *Preventing Low Birthweight*, Washington, D.C.: National Academy Press, 1985.

⁴⁶ Using the savings attributed to prenatal care for all preventive efforts is likely to overstate the impact of this spending because few preventive programs have demonstrated this level of savings.

⁴⁷ Personal income ranged from 83 to 85 percent of GNP during the 1980 to 1990 period. Council of Economic Advisors, *Economic Report of the President*, (Washington, D.C.: Government Printing Office) February 1992. We assumed that it would remain a constant percentage of GNP during the 1993 to 2005 period.

The Clinton plan would phase in universal coverage using savings from its cost containment efforts to pay for the cost of covering the uninsured. However, the plan does not include a detailed specification of how this expansion in coverage would be financed and it does not specify the methods that would be used to implement the program of cost controls.

We assumed that the program of cost controls would be developed in 1993 for implementation in 1994 and that universal coverage would be fully phased-in by 2000. We assumed that the increased cost of the newly insured could not exceed 30 percent of the total health expenditure savings (the approximate federal portion of health spending in 1992). Under this criterion, we estimate that the uninsured could be covered as early as 1996.⁴⁸ Phase in of subsidies for the publicly-sponsored alternative and low-income protections would likely require a phase-in schedule to the year 2000, if savings were required to come from the federal portion of health spending.

The average annual rate of increase in health spending, taking into account the increased utilization of the uninsured, the exclusion of some health spending (e.g., research and construction and public health activities) and other factors, was assumed to be 6.8 percent under the Clinton proposal. On average, this is 1.9 percentage points less than the projected rate of increase in health spending under current law. We estimate that universal coverage would increase health spending by about \$23.6 billion in 2000 as insurance is extended to previously uninsured persons (Table 10). This increase in spending would be offset by savings under the cost control program of \$234.2 billion for a net reduction in health spending in 2000 of \$210.6 billion.⁴⁹

a. Utilization Increases

Health services utilization would increase for newly insured persons under the Clinton plan. We estimate that the uninsured will use about \$43.9 billion in health services in 1993. About half of this amount would be financed by out-of-pocket payments with the remainder paid through uncompensated care, cost-shifting, and various public programs, such as clinics and public hospitals. We assumed that utilization of health services for previously uninsured persons would adjust to levels observed among insured persons with similar age, sex, income and health status characteristics. Using this assumption, we estimate that there would be a 38 percent increase in physician and hospital outpatient care utilization and a 48 percent increase in inpatient utilization by the previously uninsured.⁵⁰ We assumed that this increase in health spending would be phased in over the 1994 through 1996 period. We also assumed that this increased use for the newly insured would be an addition to total health spending after cost containment efforts.

b. Cost Containment Program

Although the Clinton plan indicates that it would control aggregate health spending, it is unclear whether the program is intended to apply to all items now classified as health care. For example, the national health spending figures developed by HCFA include non-prescription drugs (aspirin etc.), all

⁴⁸ We estimate that, if all currently uninsured persons had insurance coverage, they would use an additional \$18.3 billion worth of healthcare services in 1996. If the Clinton plan's cost controls were successfully implemented in 1994, they would generate system-wide savings of approximately \$85 million in 1996. Thus, system-wide savings are clearly sufficient to pay for the additional utilization of the uninsured by 1996. However, most of the savings from healthcare reform would be captured by private employers and individuals. The Federal portion of savings would probably be about 30 percent of savings. By 1996, the Federal portion of savings would be sufficient to pay for the additional utilization of the uninsured. The remaining Federal savings could be used to pay for subsidies to cover low-income persons. Depending on how the Federal savings are used, the uninsured could be covered as early as 1996 and the Federal savings from cost containment could be used to pay for the additional utilization.

⁴⁹ These savings include savings by the government, employers, and families.

⁵⁰ Jack Needleman, Judith Arnold, John Sheils, and Lawrence Lewin, "The Health Care Financing System and the Uninsured," submitted to the Office of Research, Health Care Financing Administration, DHHS, April 4, 1990.

TABLE 10
IMPACT OF THE CLINTON HEALTH REFORM PLAN
ON NATIONAL HEALTH SPENDING
(IN BILLIONS)

	Current Law National Health Spending	Utilization Increase for Previously Uninsured	Cost Controls	Net Impact
1993	\$888.7	\$0.0	\$0.0	\$0.0
1994	976.2	9.3	(31.1)	(21.8)
1995	1,072.9	17.2	(60.0)	(42.8)
1996	1,164.1	18.3	(85.2)	(66.9)
1997	1,263.3	19.5	(120.0)	(100.5)
1998	1,371.2	20.8	(151.7)	(130.9)
1999	1,488.4	22.1	(194.3)	(172.2)
2000	1,615.9	23.6	(234.2)	(210.6)
2001	1,753.6	25.1	(278.3)	(253.2)
2002	1,902.9	26.7	(327.7)	(301.0)
2003	2,065.1	28.5	(383.0)	(354.5)
2004	2,241.1	30.3	(444.9)	(414.6)
2005	2,431.9	32.3	(513.7)	(481.4)

Source: Lewin-ICF estimates.

eyeglasses (fashion and other), orthodontia, research, and various public health activities, much of which is funded at the local level. Due to the lack of specific details in the plan, we assumed that the Clinton plan would not apply to spending for research, public health activities and nonprescription drugs. In addition, we assumed that individuals would be able to pay privately for some services not under the global expenditure caps (for example, private duty nurses, private hospital rooms, etc.). We assumed that all other types of health spending would be subject to spending controls.

The Clinton plan states that a national health board would establish national and state budget targets for health care expenditures and that states may establish reimbursement rates consistent with the budget targets. These reimbursement rates would apply to all payers other than managed care networks. The plan also states that all managed care networks would operate within the global budgetary constraints. The plan does not provide any additional details on the procedures to be used in controlling health care costs. The plan implies the use of managed care delivery systems and managed competition to facilitate constraining health spending to established budget targets. Such a program would require the development of an extensive administrative capacity that does not now exist at either the state or federal level. Data and procedures would need to be developed for setting health spending limits, monitoring costs relative to these targets, and enforcing them. Other countries have substantial

experience administering global budgets and such experience could certainly guide the United States in establishing procedures to set targets and monitor costs.

We assumed that these administrative structures would be developed during 1993 and that the first year of implementation would be 1994.⁵¹ We estimate the combination of cost containment and expanded coverage under the Clinton plan, if implemented successfully, would result in approximately a 1.9 percentage point reduction in the increase in health spending, on average, compared to current law projections. Based upon these assumptions, we estimate that health spending would be about 13 percent lower than currently projected for 2000. In 2005, we estimate health spending under the Clinton plan would be about 20 percent lower than currently projected.

E. STATE LEVEL ESTIMATES

Estimates for health spending by state for 1992 were estimated from historical health spending data obtained from several sources. Health spending for public programs by state was obtained from the Medicaid and Medicare program data supplemented with additional data on state and local health spending. Estimates for private health expenditures were developed using a modified actuarial analysis based upon: 1) age and sex adjusted average expenditure data for persons with various sources of coverage developed using the Lewin-ICF Health Benefits Simulation Model, and 2) estimates of the number of persons by age, sex and source of coverage by state obtained from the Current Population Survey data.⁵² These estimates were then adjusted to reflect differences in health spending by state developed in 1982⁵³ and projected forward adjusting for changes in the age and sex composition of state populations since that time.

Health spending by state for 2000 and 2005 were developed in a manner which reflects population aging trends by state and the relative differences in health spending by age group. Estimates were controlled to replicate HCFA projections of aggregate health spending in future years by source of payment. Health spending savings estimates under the Clinton and Bush proposals were developed by state by proportionally reducing aggregate spending in each state in proportion to aggregate saving estimates. In addition, an adjustment was developed to reflect the fact that the Bush plan will affect spending differently for aged and non-aged persons. The increase in utilization for newly insured persons was allocated across states in proportion to the estimated number of uninsured persons by state.

The number of uninsured persons in the 1989-91 period was calculated based on data from a pooled database of March CPS data for the years 1989-1991. Projections of the uninsured were based on the change in the population in each state by age group. This implicitly assumes that the percentage of persons who are uninsured within each age group will remain the same through 2005 in each state.

F. CAVEATS

Both the Bush and the Clinton plans would implement programs that have never been tried in the United States before. Consequently, there is little data on the likely outcome of these policy changes which can be used to estimate their impacts. Although the estimates in this paper are based upon the best data available at this time, they should be considered illustrative of potential impacts rather than point estimates of actual policy outcomes.

⁵¹ We also assumed that the system would be structured to recover any surge in charges just prior to implementing price controls by offsetting reductions in prices in following years. We also assumed that a similar method would be implemented to adjust for volume increases that may occur in response to price controls.

⁵² For further documentation on the methods used to develop state-level projections see: Families USA, "Rising Health Costs in America, 1980-1990-2000," Technical Appendix, October 1990.

⁵³ Katherine R. Levit, "Personal Health Care Expenditures, by State: 1966-1982," Health Care Financing Review, Summer 1985, Volume 6, Number 4.

The difficulty in estimating the cost impacts of these plans is compounded by the lack of detail in these plans. Neither plan is specified in enough detail at this time such that it could be implemented. In fact, the cost estimates may change substantially as these details emerge. Despite these reservations, we feel that this analysis provides useful insights into the relative impacts of the two reform plans.

This analysis does not consider the important second order effects of the proposals. For example, it does not consider the potential hidden costs associated with slowing the growth in health spending on technological developments and quality of care. Nor does it consider the impact of the proposals on employment or wage levels. These effects deserve careful consideration in evaluating health care reforms; unfortunately, the lack of details for both programs makes it difficult to assess the impact of these second order effects.



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**U.S. Senate
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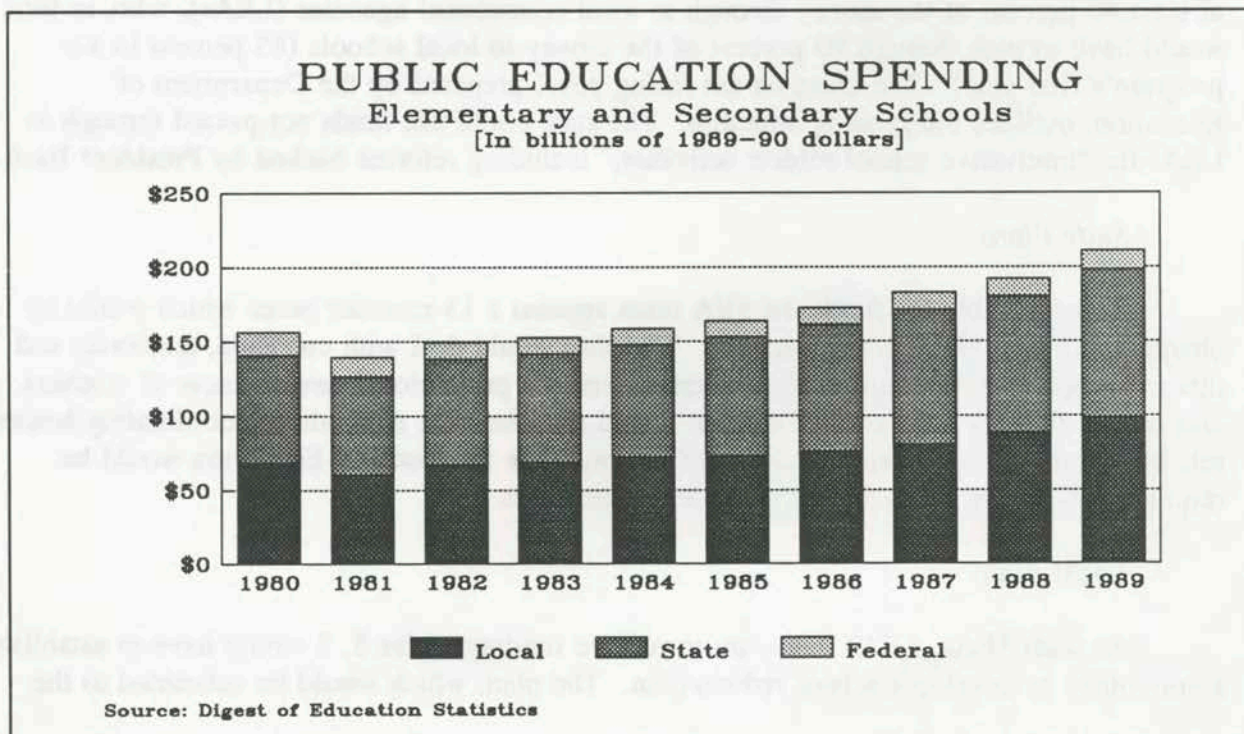
Issue Alert

September 29, 1992

Senate to Debate Education Conference Report

House and Senate Democratic conferees reached agreement last Friday on a bill to authorize more federal spending on elementary and secondary education. Republican conferees were not asked to sign the report. The Neighborhood Schools Improvement Act (S. 2) also would codify the six national education goals adopted at the 1989 National Education Conference, authorize the National Education Goals Panel to certify voluntary national content standards, and establish a demonstration program that would empower the Education Secretary to waive certain federal requirements on schools that seek innovative ways to serve disadvantaged students.

In general, the measure cleared by the conferees more closely resembles the House bill (H.R. 4323) than its Senate counterpart. The centerpiece of the Senate bill was a "school improvement" block grant that sent money to state and local neighborhood schools with few federal strings. The conference report, like the House bill, prescribes more bureaucracy than envisioned in the Senate bill, requiring the establishment of various advisory councils at the state and local levels.



Highlights of the Conference Agreement

National Education Goals

S. 2 codifies the goals agreed to by the President and the Governors at the 1989 Charlottesville Conference. These goals, which are to be achieved by the year 2000, concern school readiness, school completion, student achievement, proficiency in mathematics and science, family literacy, and safe, disciplined and drug-free schools. The conference report, like the Senate bill, includes findings that the federal government must spend more on a panoply of social programs to achieve these goals.

The bill also would establish the National Education Goals Panel (NEGP) as an independent entity, giving statutory authority to the existing panel. In addition to issuing an annual report card, the NEGP would be required to establish a 15-member National Education Standards and Assessment Council (NESAC) to provide it with advice and counsel in its development of voluntary national content and "school delivery standards." "School delivery standards" refer to such matters as curriculum quality and availability, teacher ability, and education policies and practices.

Comprehensive Restructuring Block Grant

Title II authorizes a program of grants to state education agencies (SEAs) for the improvement of local schools. In the first year, SEAs could retain all of the funds to develop a comprehensive plan for school reform. In subsequent years, they would be required to pass at least 80 percent of the money through to local educational agencies (LEAs), who, in turn, would have to pass through 90 percent of the money to local schools (85 percent in the program's first year). The chart on the facing page, prepared by the Department of Education, outlines the funding structure. The state could use funds not passed through to LEAs for "innovative school reform activities," including reforms backed by President Bush.

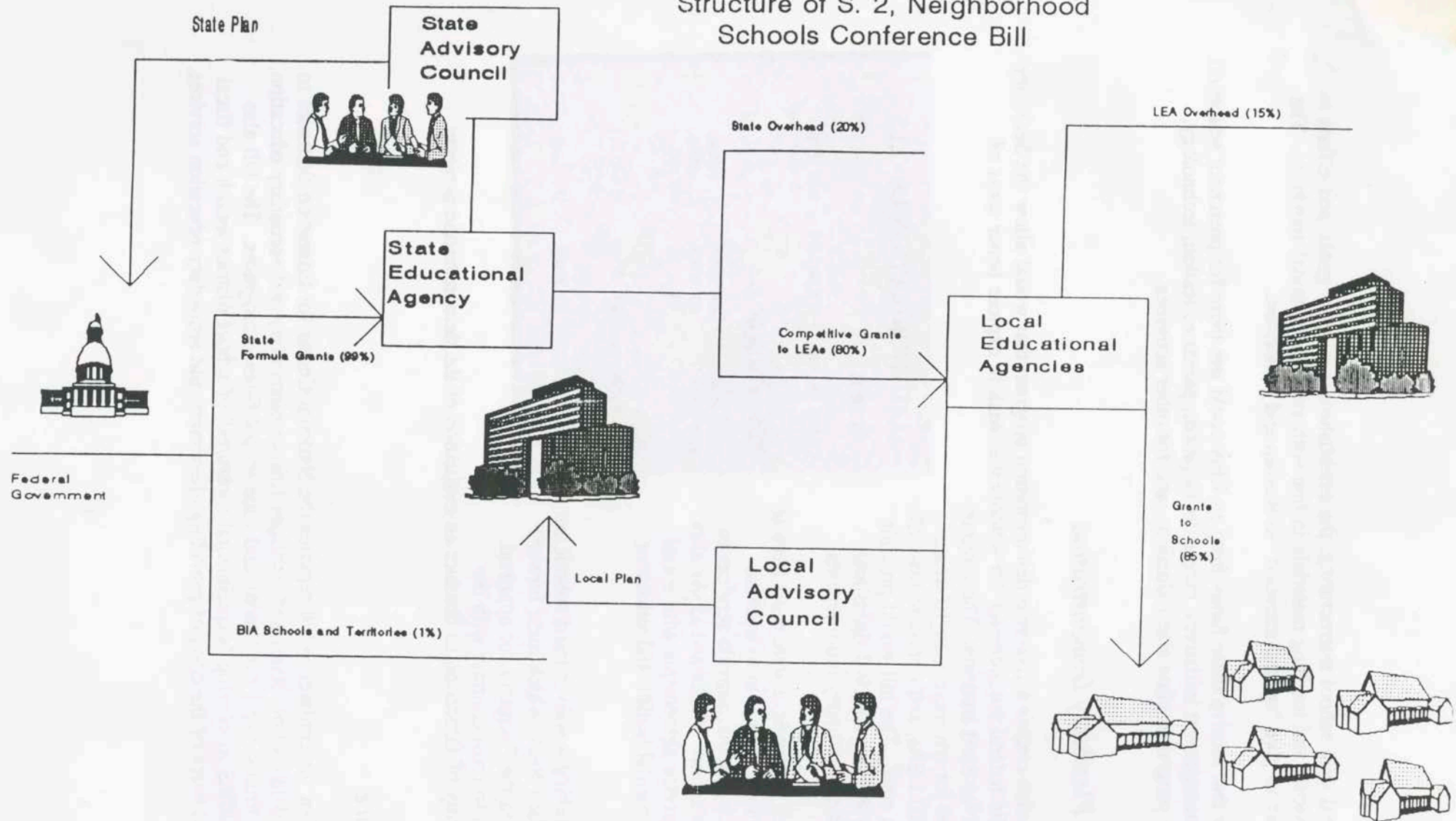
State Plans

To be eligible for funds, an SEA must appoint a 13-member panel which would be charged with developing a reform plan. The plan would deal with curricula, textbooks and other instructional materials, student assessments, the professional development of teachers and school delivery standards. The plan would also describe methods of coordinating health, rehabilitation, and social services with education. The Secretary of Education would be required to approve plans that meet these requirements.

Local Plans

As with SEAs, LEAs that want to receive funding under S. 2 would have to establish a committee to develop a school reform plan. The plan, which would be submitted to the

Structure of S. 2, Neighborhood Schools Conference Bill



Only 68% of State Grant reaches schools.

SEA, would deal with school restructuring, the establishment of local goals, and efforts to bring local curricula and teaching materials in line with state and national standards. The plan would have to give "special attention" to women and minorities.

Schools that receive these funds from an LEA could use them for preschool education, school-based management initiatives, career development, parent education, technology, school dropout programs, class size reductions, and for other activities.

Educational Flexibility Demonstration

Title II also creates a five-year demonstration program that would allow the Secretary to waive specific federal requirements for schools that wish to explore better ways of educating disadvantaged students. The program can be approved for not more than 10 states, not more than 20 LEAs, and not more than 75 schools in each state. The bill would prohibit the Secretary from waiving civil rights and certain other federal statutory requirements.

To obtain a waiver, a state must have in place a regulatory reform plan to increase flexibility for schools that provide services to disadvantaged students. SEAs and LEAs also must develop service agreements with social service, health, mental health, and substance abuse agencies.

LEAs seeking a waiver must submit an application to their SEA, which must forward the application to the Secretary for approval. The Secretary also must contract with the National Academy of Education to conduct an evaluation of the demonstration projects.

AUTHORIZATION LEVELS		
TITLE II		
School Impvmt.	FY 93-2001	\$800 million & such sums
EDUCATION GOALS		
Goals Panel	FY 93-96	\$2 million
NAS Reports	FY 93-94	\$2 million
Content Stds.	FY 93-96	\$10 million and such sums
School Delivery Standards	FY 93-94	\$5 million (total)
Nat'l Ed. Stds. Assmt. Comm.	FY 92-94	\$2 million

School Finance

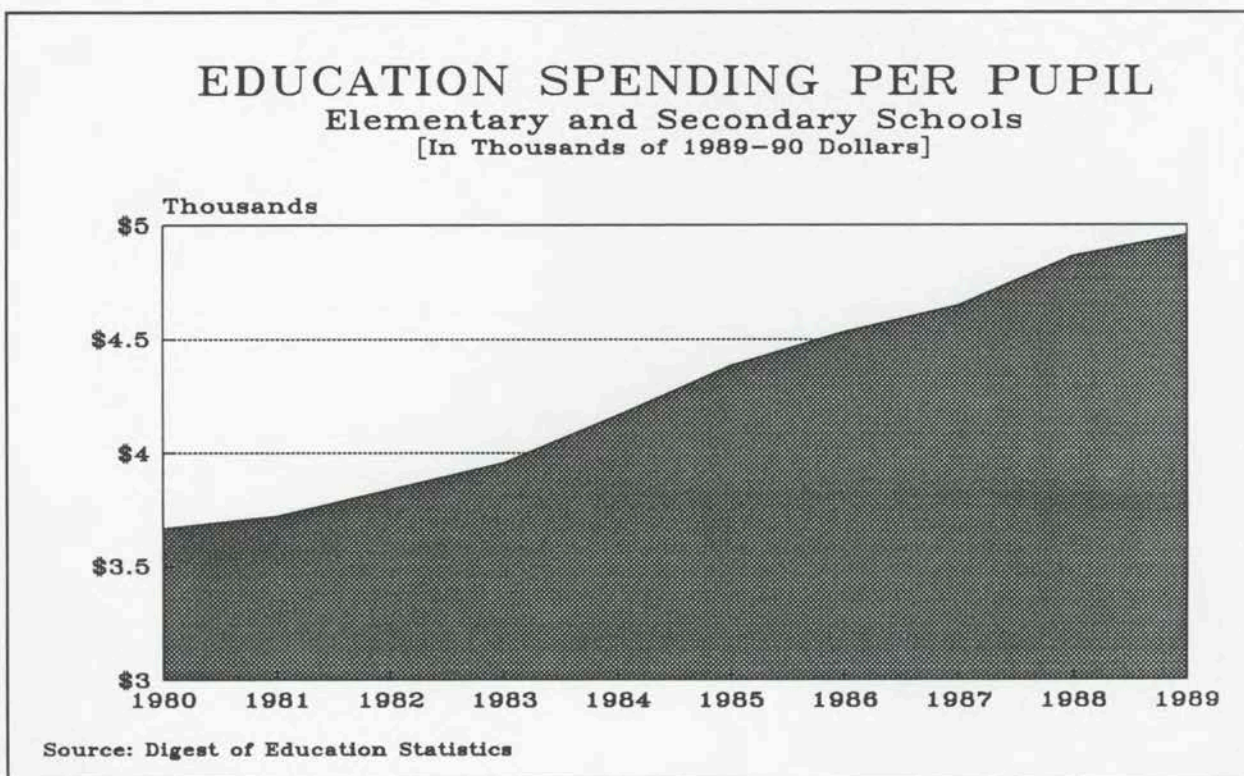
Title IV of the conference bill requires the National Center for Education Statistics to collect detailed data on how states and localities finance elementary and secondary education, per pupil expenditures, pupil enrollment, and state school finance programs. The bill also would require NCES to develop "experimental measures" of school district wealth and fiscal capacity and estimates of the costs of providing elementary and secondary education services.

Other Provisions

S. 2 would also amend the Eisenhower Math and Science program to authorize the Secretary to issue grants to develop model math and science assessments; amend the purpose of the National Assessment of Educational Progress (NAEP) to require that it be aligned with national content standards; require the Secretary to analyze the effectiveness of the "Parents As Teachers" program; and express the sense of Congress that recipients of Federal assistance should purchase American-made products.

Outlook

The Administration, which sought Congressional support for its America 2000 initiative, got some of what it wanted out of the conference report. S. 2 includes statutory authorization of the goals panel, the creation of NESAC, some regulatory relief for schools serving disadvantaged students, and model assessments of math and science proficiency. S. 2 also allows states to use some of their "school improvement" money for reform initiatives championed by the President. On the other hand, the Administration did not win authorizations for New American Schools or for a parental choice program in which private schools can participate. Instead, the conference report calls for more federal spending and more bureaucracy. It is unclear how the White House will respond to this measure.



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Talking Points

September 29, 1992

REPUBLICANS VERSUS DEMOCRATS: Control of the Senate

For six years, from 1981 to 1987, the Republican party held the majority in the United States Senate. In conjunction with President Ronald Reagan, the Republican majority worked to make government responsive and responsible to the American people. That stands in contrast to the past six years of confrontation and gridlock under a Democrat Senate.

On November 3, 1992, elections will be held for at least 35 Senate seats. During the next five weeks, some of the following comparisons of the past twelve years might be useful to remember.

ECONOMIC GROWTH

Republicans

America moving again. In 1980, inflation stood at 12.5 percent; the prime interest rate was at 20 percent; the misery index (a combination of the unemployment rate and the inflation rate) hit a modern record of 24.5 points. The Republican Senate worked consistently to lower the tax burden on Americans. They cut taxes 25 percent over three years, while indexing tax rates to inflation. These moves got the economy moving again and helped create 21 million new jobs over 11 years. In 1986, Republicans pushed through comprehensive tax reform that lowered Federal taxes on average Americans to as little as 15 percent, and removed over 6 million poor people from the tax rolls. By 1986, inflation stood at 1.1 percent, unemployment at 7.0 percent, and interest rates at 8.3 percent.

Democrats

Stall ball. While Democrats in the Senate led the fight for a budget agreement that raised taxes \$150 billion, they have consistently blocked Republican economic growth proposals. As of September 29, 1992, it has been 244 days since the President challenged Congress to act on a simple seven-point, short-term economic growth package. If it had been enacted, an estimated 500,000 or more jobs would have been created in the past six months.

CRIME

Republicans

Tough on crime. The Republican Senate passed comprehensive anti-crime and anti-drug bills in 1982, 1984, and 1986, cracking down on career criminals, drug traffickers, and murderers. They expanded the size of the Federal judiciary, and moved to beef up drug-interdiction efforts. Republicans consistently backed a "good-faith" exception to the exclusionary rule. Crime is a stubborn problem; but, between 1980 and 1986 crime rates per 100,000 population dropped from 5,950 to 5,480.

Democrats

Americans at risk. Crime rates, though, began to increase again under a Democrat Senate, up to 5,741 in 1989. On March 11, 1991, the President put forth a comprehensive crime bill designed to grant law enforcement officials the necessary tools to put dangerous criminals behind bars. However, Senate stalling has allowed 568 days to pass without producing a bill that incorporates new reforms for habeas corpus, the exclusionary rule, and the death penalty.

THE DEFICIT

Republicans

Deficit reduction. Republicans worked hard to cut the Federal budget deficit. In 1982, they passed a balanced budget constitutional amendment; in 1985, they passed the Gramm-Rudman deficit reduction plan. As a result of effective expenditure controls, the deficit under Republicans dropped from \$221 billion in fiscal year 1986 to \$149.7 billion in fiscal year 1987, the first full year all Republican policies were in effect.

Democrats

Deficit boom. The Democrat Senate has repeatedly blocked Republican efforts to grant the President line-item veto authority, and just recently twice killed the Republican-backed balanced budget amendment.

STRONG AGAIN

Republicans

Number one. From funding creative weapons systems like the Stealth fighter to bringing service pay into parity with the private sector, Senate Republicans helped rebuild armed forces that had been demoralized and demobilized during the 1970s. Fighting off efforts to slash programs, the B-1, the B-2, the F-117, the battleships Missouri, Iowa, and Wisconsin, the Humvee, and many other useful armaments became available to our forces during the 1980s. Compensation increased, as well as training and professionalism, leading to high retention rates. In 1986, the Republican Senate passed the most sweeping armed services reorganization plan since the 1940s. When crisis erupted in the Persian Gulf, our troops were ready.

Democrats

Other ideas. A Democrat Senate has had a far different outlook on defense. For example, since 1987, they have held 21 different votes on altering or constraining the SDI program, which could one day protect Americans at home from accidental or hostile ballistic missile launch from abroad. At the same time, they have worked to preserve those that are no longer needed in America's force structure, such as the Seawolf submarine (designed for a Soviet offensive ballistic missile submarine threat that no longer exists). And they have worked hard to bury pork in their defense appropriations, earmarking questionable grants to numerous colleges and universities nationwide.

U.S. IDEALS WORLDWIDE

Republicans

Exporting democracy. Republicans supported the creation of the National Endowment for Democracy, a non-profit organization charged with assisting democratic movements and helping organize and oversee democratic elections. They opposed Democrat efforts to eliminate the program. NED money spent helped ensure free and fair elections in such disparate countries as Nicaragua, Poland, and Chile. The Republican Senate also stood firm in creating Radio Marti, to beam the message of democracy to Cuba. A Republican-led Senate imposed sanctions on South Africa, actions that Nelson Mandela credits with forcing the white-led government in South Africa to the bargaining table. And the Republican Senate aided the Nicaraguan contras; in 1990, the Sandinistas were overthrown at the ballot box.

Democrats

Senate Democrats reluctantly supported aid to newly-free Panama and Nicaragua in 1990. They opposed the President's lifting of sanctions against South Africa after Nelson Mandela was released and constitutional negotiations in that country began. And without strong Presidential leadership, a Democrat Senate would have opposed any use of force in the Persian Gulf.

TRADING UP

Republicans

Export boom. Republicans laid the foundation for strong export growth in the 1980s, starting in 1981 by approving the creation of private export trading companies designed to increase U.S. market share overseas. The Republican Senate authorized the U.S. and Canada to negotiate a free-trade agreement, to date one of the largest of its kind. In 1985, the U.S. exported \$47.3 billion to Canada; in 1990, it was over \$85 billion, an increase of 75 percent.

Democrats

Trade barriers. Protectionism has been a major temptation for a Democrat Senate. Since 1987, they have approved measures designed to trigger automatic retaliation against countries deemed to be trading unfairly — an action that would close more markets than it would open. Further, a majority of Senate Democrats opposed the extension of fast track authority to the President to conclude an ambitious free-trade agreement between Mexico, Canada, and the United States, that would create a vast free-trade region embracing over 350 million people and over \$6 trillion in economic activity every year. According to the Bush Administration, the agreement could create 400,000 new jobs in the next five years.

CIVIL RIGHTS

Republicans

In 1982, the Republican Senate designed and passed sweeping amendments to the Voting Rights Act, which came to fruition in the 1990 reapportionment process. As a result, minority representation in the U.S. House will reach an all-time high after the next election. Funding for civil rights enforcement in the Justice Department received healthy increases under Republicans. A Republican Senate passed the Martin Luther King Jr. holiday into law.

Democrats

Democrats returned to discredited civil rights policies during their Senate control. In 1990, they forced through a bill that would have shifted the burden of proof in certain discrimination cases from employees to employers, leading to quotas in hiring. By a single vote, the Senate sustained the President's veto, and in 1991, the Democrats accepted the President's position on hiring discrimination, passing a bill that provides for equitable treatment of all before the law.

These are some of the many areas where differences between Republicans and Democrats in the Senate are clear. In 1980, Republicans were the change from the failed policies of the past. From defense to the economy, trade to democratic ideals, Republicans backed what worked.

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REPUBLICANS VERSUS DEMOCRATS: Control of the Senate

For six years, from 1981 to 1987, the Republican party held the majority in the United States Senate. In conjunction with President Ronald Reagan, the Republican majority worked to make government responsive and responsible to the American people. That stands in contrast to the past six years of confrontation and gridlock under a Democrat Senate.

On November 3, 1992, elections will be held for at least 35 Senate seats. During the next five weeks, some of the following comparisons of the past twelve years might be useful to remember.

ECONOMIC GROWTH

Republicans

America moving again. In 1980, inflation stood at 12.5 percent; the prime interest rate was at 20 percent; the misery index (a combination of the unemployment rate and the inflation rate) hit a modern record of 24.5 points. The Republican Senate worked consistently to lower the tax burden on Americans. They cut taxes 25 percent over three years, while indexing tax rates to inflation. These moves got the economy moving again and helped create 21 million new jobs over 11 years. In 1986, Republicans pushed through comprehensive tax reform that lowered Federal taxes on average Americans to as little as 15 percent, and removed over 6 million poor people from the tax rolls. By 1986, inflation stood at 1.1 percent, unemployment at 7.0 percent, and interest rates at 8.3 percent.

Democrats

Stall ball. While Democrats in the Senate led the fight for a budget agreement that raised taxes \$150 billion, they have consistently blocked Republican economic growth proposals. As of September 29, 1992, it has been 244 days since the President challenged Congress to act on a simple seven-point, short-term economic growth package. If it had been enacted, an estimated 500,000 or more jobs would have been created in the past six months.

CRIME

Republicans

Tough on crime. The Republican Senate passed comprehensive anti-crime and anti-drug bills in 1982, 1984, and 1986, cracking down on career criminals, drug traffickers, and murderers. They expanded the size of the Federal judiciary, and moved to beef up drug-interdiction efforts. Republicans consistently backed a "good-faith" exception to the exclusionary rule. Crime is a stubborn problem; but, between 1980 and 1986 crime rates per 100,000 population dropped from 5,950 to 5,480.

Democrats

Americans at risk. Crime rates, though, began to increase again under a Democrat Senate, up to 5,741 in 1989. On March 11, 1991, the President put forth a comprehensive crime bill designed to grant law enforcement officials the necessary tools to put dangerous criminals behind bars. However, Senate stalling has allowed 568 days to pass without producing a bill that incorporates new reforms for habeas corpus, the exclusionary rule, and the death penalty.

THE DEFICIT

Republicans

Deficit reduction. Republicans worked hard to cut the Federal budget deficit. In 1982, they passed a balanced budget constitutional amendment; in 1985, they passed the Gramm-Rudman deficit reduction plan. As a result of effective expenditure controls, the deficit under Republicans dropped from \$221 billion in fiscal year 1986 to \$149.7 billion in fiscal year 1987, the first full year all Republican policies were in effect.

Democrats

Deficit boom. The Democrat Senate has repeatedly blocked Republican efforts to grant the President line-item veto authority, and just recently twice killed the Republican-backed balanced budget amendment.

STRONG AGAIN

Republicans

Number one. From funding creative weapons systems like the Stealth fighter to bringing service pay into parity with the private sector, Senate Republicans helped rebuild armed forces that had been demoralized and demobilized during the 1970s. Fighting off efforts to slash programs, the B-1, the B-2, the F-117, the battleships *Missouri*, *Iowa*, and *Wisconsin*, the Humvee, and many other useful armaments became available to our forces during the 1980s. Compensation increased, as well as training and professionalism, leading to high retention rates. In 1986, the Republican Senate passed the most sweeping armed services reorganization plan since the 1940s. When crisis erupted in the Persian Gulf, our troops were ready.

Democrats

Other ideas. A Democrat Senate has had a far different outlook on defense. For example, since 1987, they have held 21 different votes on altering or constraining the SDI program, which could one day protect Americans at home from accidental or hostile ballistic missile launch from abroad. At the same time, they have worked to preserve those that are no longer needed in America's force structure, such as the Seawolf submarine (designed for a Soviet offensive ballistic missile submarine threat that no longer exists). And they have worked hard to bury pork in their defense appropriations, earmarking questionable grants to numerous colleges and universities nationwide.

U.S. IDEALS WORLDWIDE

Republicans

Exporting democracy. Republicans supported the creation of the National Endowment for Democracy, a non-profit organization charged with assisting democratic movements and helping organize and oversee democratic elections. They opposed Democrat efforts to eliminate the program. NED money spent helped ensure free and fair elections in such disparate countries as Nicaragua, Poland, and Chile. The Republican Senate also stood firm in creating Radio Marti, to beam the message of democracy to Cuba. A Republican-led Senate imposed sanctions on South Africa, actions that Nelson Mandela credits with forcing the white-led government in South Africa to the bargaining table. And the Republican Senate aided the Nicaraguan contras; in 1990, the Sandinistas were overthrown at the ballot box.

Democrats

Senate Democrats reluctantly supported aid to newly-free Panama and Nicaragua in 1990. They opposed the President's lifting of sanctions against South Africa after Nelson Mandela was released and constitutional negotiations in that country began. And without strong Presidential leadership, a Democrat Senate would have opposed any use of force in the Persian Gulf.

TRADING UP

Republicans

Export boom. Republicans laid the foundation for strong export growth in the 1980s, starting in 1981 by approving the creation of private export trading companies designed to increase U.S. market share overseas. The Republican Senate authorized the U.S. and Canada to negotiate a free-trade agreement, to date one of the largest of its kind. In 1985, the U.S. exported \$47.3 billion to Canada; in 1990, it was over \$85 billion, an increase of 75 percent.

Democrats

Trade barriers. Protectionism has been a major temptation for a Democrat Senate. Since 1987, they have approved measures designed to trigger automatic retaliation against countries deemed to be trading unfairly — an action that would close more markets than it would open. Further, a majority of Senate Democrats opposed the extension of fast track authority to the President to conclude an ambitious free-trade agreement between Mexico, Canada, and the United States, that would create a vast free-trade region embracing over 350 million people and over \$6 trillion in economic activity every year. According to the Bush Administration, the agreement could create 400,000 new jobs in the next five years.

CIVIL RIGHTS

Republicans

In 1982, the Republican Senate designed and passed sweeping amendments to the Voting Rights Act, which came to fruition in the 1990 reapportionment process. As a result, minority representation in the U.S. House will reach an all-time high after the next election. Funding for civil rights enforcement in the Justice Department received healthy increases under Republicans. A Republican Senate passed the Martin Luther King Jr. holiday into law.

Democrats

Democrats returned to discredited civil rights policies during their Senate control. In 1990, they forced through a bill that would have shifted the burden of proof in certain discrimination cases from employees to employers, leading to quotas in hiring. By a single vote, the Senate sustained the President's veto, and in 1991, the Democrats accepted the President's position on hiring discrimination, passing a bill that provides for equitable treatment of all before the law.

These are some of the many areas where differences between Republicans and Democrats in the Senate are clear. In 1980, Republicans were the change from the failed policies of the past. From defense to the economy, trade to democratic ideals, Republicans backed what worked.

Staff Contact: Eric Ueland, 224-2946

**U.S. Senate
Republican Policy
Committee**

Don Nickles, Chairman
Kelly D. Johnston, Staff Director

Talking Points

September 29, 1992

BUSINESS AND TAXPAYERS BEWARE **Proposals that a Democrat Congress Back** **and a President Clinton Would Sign**

During the past four years, Republicans in the U.S. Senate, working with a Republican President, have protected Americans from unsatisfactory legislation prized by the Democrat majority.

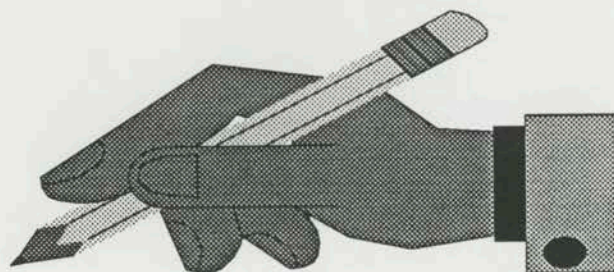
A Clinton presidency, though, working with a Democrat-controlled Congress, would unlock the closet door for these proposals, perhaps allowing many of them to become law. By 1996, Americans would be worse off in the areas of labor, family, energy and environment, defense, and taxes, than they are in 1992.

Since the beginning of the year, Democrats, Governor Clinton, and Senator Gore have laid out their agenda in various public sources, including:

- Pending House and Senate bills;
- House amendments;
- The Clinton June 22-page economic plan, *Putting People First*;
- The Clinton Platform; and
- The Clinton-Gore September campaign manifesto, also titled *Putting People First*.

Included in "Business and Taxpayers Beware" is brief information on bills and proposals in the following areas:

- Labor
- Family
- Energy and Environment
- Defense
- Taxes



LABOR

S. 55, Striker Replacement. A favorite of organized labor leaders, who have endorsed Gov. Clinton, it would overturn a precedent that has governed collective bargaining for more than 50 years: that workers have a right to strike for better economic conditions and that management retains the right to replace them. A GOP filibuster earlier this year protected both workers and management from this unpredictable change in current law.

S. 5, Family and Medical Leave. Requires firms with more than 50 workers (about 300,000 businesses and 33.4 million workers) to provide employees with 12 weeks of unpaid leave when they become parents, become ill, or need time to care for a sick family member. This idea has been vetoed twice by President Bush, who prefers a tax credit of up to \$1200 for similar time off. The President's plan would cover 6 million businesses and nearly 50 million workers.

S. 1622, OSHA "reform." Democrats have thus far been frustrated in their efforts to enact legislation that would require every employer to have a written safety and health program and would require the establishment of safety and health committees at every worksite. The bill also would establish criminal penalties for employers who violate OSHA regulations. The estimated cost to the U.S. economy: \$50 billion, according to an Employment Policy Foundation study. Under a Clinton presidency, this measure is likely to become law.

S. 2062, eliminating punitive damage caps. Gov. Clinton and Democrats want to lift the \$150,000 cap on punitive damages that can be awarded under Title VII of the Civil Rights Act, inviting another addition to the litigation explosion.

H.R. 2782, ERISA "reform." The bill would grant States the authority to enact laws dealing with prevailing wages, apprenticeship programs, and unpaid pensions under the purview of the Employee Retirement Income Security Act (ERISA). This could result in at least 50 different sets of employee benefit standards.

S. 600, Child labor restrictions. Congressional Democrats have unsuccessfully pressed for passage of this measure, which has nothing to do with child labor and much to do with reducing job opportunities for teenagers. The bill would require all workers under 18 to obtain work permits from their state governments. It also would bar farmers from hiring workers under age 14. The teen unemployment rate is 20 percent; among black teenagers, the rate is twice as high. This bill would drive those figures even higher. Under a Bill Clinton presidency, this legislation would likely become law.

S. 1227, HealthAmerica; and S. 1446, Health USA. S. 1227 requires all businesses to "play" — establish health plans for workers — or "pay" — a new tax, estimated at between 7 and 9 percent, to enroll workers in a government-run health care program. S. 1446 creates a universal health care program and an annual health care budget, approved by Congress. Gov. Clinton endorsed "play or pay;" but now, in *Putting People First*, Gov. Clinton embraces universal coverage mandates and an annual health care budget to limit both public and private expenditures, but makes no mention of how the mandatory coverage will be funded. A payroll tax of the 7 to 9 percent range would eliminate 700,000 jobs in its first year.

Beck regulations. Labor Secretary Lynn Martin recently issued regulations implementing the *Beck* ruling. These regulations would allow workers to seek a refund of portions of their union dues that were used for political purposes. An effort by Senate Democrats to kill these regulations was squelched earlier this month by a Republican filibuster. Repeal of this rule is high on organized labor's agenda, and Clinton would no doubt oblige the unions early in his presidency.

Davis-Bacon regulations. Democrats have tried for the past several years to strengthen requirements that government contractors pay the "prevailing wage" on all projects — the so-called "Davis-Bacon" regulation. A recent court decision held that the "prevailing wage" standard does not apply to workers who transport materials to and from worksites of government contractors. The Department of Labor has also sought to exempt low-income "helpers" from the Davis-Bacon requirements. A Clinton presidency would mark the end of these efforts to relax antiquated Davis-Bacon requirements.

FAMILY

H.R. 1430, Civil Rights Amendments Act of 1991. This bill would amend the Civil Rights Acts of 1964 and 1968, along with other statutes, to add "affectional or sexual preference" to existing criteria of illegal discrimination such as race, religion, sex, physical handicap, national origin, etc. If enacted, H.R. 1430 would activate the full array of affirmative action mechanisms to ensure that homosexuals are not being discriminated against. The Clinton Platform adds "sexual orientation" to other criteria such as race and gender, and equates "homophobia" with antisemitism and racism.

S. 3084, prohibition of Discrimination by the Armed Forces on the basis of sexual orientation. S. 3084 would overturn the existing exclusion of homosexuals from the U.S. armed forces. In his Platform, Gov. Clinton specifically pledges "...an end to Defense Department discrimination." In their book *Putting People First*, Gov. Clinton and Sen. Gore state they will "issue executive orders to repeal the ban on gays and lesbians from military or foreign service."

Freedom of Choice Act. The Freedom of Choice Act would prohibit states from regulating abortion, in effect restricting State efforts to pass regulations based on the Pennsylvania law — a 24-hour waiting period, informed consent, and parental notification. The effort to enact the bill this year ultimately failed because of a threatened veto and because the bill's advocates felt that it would be "watered down" by amendments that would, for example, require that 15-year-olds obtain parental consent before getting abortions. A Clinton White House would press for swift enactment of this bill.

S. 548, the Reproductive Health Equity Act. S. 548 would obligate taxpayers to pay for abortion on demand. The bill amends all Federal programs that provide medical services — Medicaid, Federal employee health plans, Indian health care, military personnel and dependents, the Peace Corps, the District of Columbia, and Federal prisons — to make abortion available "to the same extent as other pregnancy-related services." In *Putting People First*, Clinton and Gore specifically pledge to sign this bill into law. The Clinton Platform calls for the "right of every woman to choose, consistent with *Roe v. Wade*, regardless of ability to pay."

S. 2268, RU-486 Regulatory Fairness Act. S. 2268 would mandate the Food and Drug Administration to begin the process of testing the French abortion pill RU-486, with the intent of making it widely available as soon as possible.

Family Planning Regulations. President Bush's veto and threats of vetoes have protected an Administration regulation that bars abortion counseling and referral from the federal family planning program. Clinton's Secretary of Health and Human Services would no doubt repeal this regulation at the earliest possible moment.

ENERGY and ENVIRONMENT

S. 1224, to increase Corporate Average Fuel Economy (CAFE) standards to 40 mpg by 2000. This high-CAFE standard, endorsed by Gov. Clinton, almost became law before the Senate narrowly failed to invoke cloture on the bill by a vote of 57-42 in September 1990. Not only would an estimated 300,000 U.S. auto manufacturing jobs be lost due to the bill; the measure would also drastically curtail the availability of light-duty trucks and vans.

S. 201, a new federal "energy efficiency" excise tax. In their economic plan, *Putting People First*, Gov. Clinton and Sen. Gore promise to improve energy efficiency 20 percent by the year 2000. To help achieve this goal, Sen. Gore has proposed a hefty new excise tax of up to \$2,200 by the year 2000 for cars with a fuel economy of 27.5 mpg, today's CAFE average.

The book also proposes a comprehensive, EPA-run program to reduce carbon dioxide emissions by requiring any new facility (or the modification of an existing one) that emits more than 100,000 tons of carbon dioxide per year to first obtain an EPA permit, and then buy or earn emissions credits, or pay a \$250 per ton penalty.

S. 39, preventing U. S. energy development in the Alaska National Wildlife Refuge (ANWR). Gov. Clinton and Sen. Gore have endorsed designating ANWR as a wilderness area in *Putting People First*. S. 39 would put people last, denying thousands of jobs in hard-hit energy-producing states while perpetuating our sufficiency on foreign energy.

S. 2668, the Global Climate Protection Act. Introduced in May 1992 by Senators Gore, Mitchell and 16 other Democrats, S. 2668 would require the President to unilaterally take action so that by January 1, 2000, U.S. carbon dioxide emissions are held at or below 1990 levels. The cost of these expensive programs could not be passed on to consumers, because our trading partners would not be imposing these same requirements on their industries.

S. 2806, creating a new "polluters" fund. Introduced by Senator Gore this year, the bill would require "toxic chemical" firms in the 100 most polluted counties in the U. S. to pay into a fund to be distributed to individuals in those counties for lobbying and technical assistance relating to inspections, reviews and studies.

S. 976, reauthorizing the Resource Conservation and Recovery Act (RCRA). As currently reported, S. 976 would require each industry to recycle an arbitrary level of its products, a concept endorsed by Gov. Clinton in September. It would also:

- Require arbitrary reductions in packaging without regard to costs.
- Add 250 chemicals to the list of those normally used by firms which must be routinely reported to the EPA, coupled with an expansion of the number of firms — including small businesses — that must file. This program would represent a fundamental shift from government regulation of business emissions into the environment to potential regulation of internal manufacturing processes.

RCRA reauthorization proposals would create a new EPA classification on non-hazardous wastes from industrial sources that would impose paperwork and handling burdens virtually identical to those now required for hazardous wastes. Current regulations of the 280 million tons of hazardous wastes requires industry expenditures of \$13 billion a year. RCRA reauthorizations could potentially regulate over 8 billion tons of industrial wastes, with a proportionate increase in cost to industry.

S. 1278, the reauthorization of the Council on Environmental Quality, which demands new and onerous filing requirements for Environmental Impact Statements. If S. 1278 were to become law, every "major Federal action," including the mere issuance of a Federal permit (e.g., a Clean Air permit), would be required to address global warming impacts, loss of biological diversity, and other issues still at question in the scientific community. This would multiply the ability of special interests to challenge any decision involving an EIS.

DEFENSE

House Amendment No. 586, nuclear test ban. A high priority for Democrats has been implementing an immediate comprehensive nuclear test ban. The Clinton Platform states that "a comprehensive test ban would strengthen our ability to stop the spread of nuclear weapons to other countries." House Amendment Number 586 imposed a one-year nuclear testing moratorium on the United States. The U.S. could resume nuclear tests only if the President certified to Congress that Russia had conducted a nuclear weapons test.

S. 2933, SDI funding reduction. S. 2933 would cut the Strategic Defense Initiative to a \$2 billion research program. Since 1987, the Senate has held 21 roll-call votes on altering or cutting the SDI program. In *Putting People First*, Gov. Clinton and Sen. Gore write: "We should refocus our research and development on the goal of a limited missile defense system within the strict framework of the ABM Treaty. Deployment of a massive space-based defense, such as Brilliant Pebbles, is not necessary." According to media reports, Gov. Clinton plans to go much further. He would cut the SDI program by up to \$20 billion by 1997, making the program, intended to protect the American people, an undeployable academic exercise confined to the laboratory.

House Amendment 428, to reduce \$56.4 billion from the 5-year defense budget. Several Democrats have endorsed plans to cut defense spending during FY 1993-1997 well beyond that proposed by President Bush. Senator Sasser has endorsed a \$70.1 billion cut, Sen. Mitchell a \$100 billion reduction, and Sen. Kennedy a \$115 billion cut. Gov. Clinton proposed a \$60 billion cut in June, but he has also promised to build the C-17 airlifter (price tag: \$35 billion); and the F-22 tactical fighter (price tag: \$95 billion). Gov. Clinton also endorsed purchasing more Seawolf submarines earlier this year, in the face of a negligible offensive Russian naval threat and the then-upcoming Connecticut Democrat primary.

TAXES

H.R. 4210, the "Tax Fairness and Economic Growth Act." On January 28, 1992, President Bush asked Congress to pass a short-term growth package by March 20, 1992. Instead, the Congress sent him a tax-and-spend bill, which he vetoed and for which the House, in only the second time since 1956, couldn't even muster a majority in its veto override attempt. (Governor Clinton has stated he would have signed H.R. 4210.)

Among its various provisions, H.R. 4210 would have:

- Created a new 36 percent tax bracket for individuals beginning at:
 - \$140,000 for married individuals filing jointly;
 - \$127,500 for heads of households;
 - \$115,000 for individuals;
 - \$70,000 for married individuals filing separately; and
 - \$7,000 for estates and trusts.
- Created a new 32 percent tax bracket by extending for two years the income-progressive ceiling on itemized deductions for incomes above \$105,250.
- Increased effective tax rates on real property by lengthening recovery period of depreciation from 31 to 40 years for commercial real estate and from 27.5 years to 31 years for residential real estate.
- Imposed a 20 cents per gallon diesel fuel excise tax for use by boats.
- Imposed a 10-percent surtax for individuals with taxable incomes over one million dollars (\$500,000 for married individuals filing separately), plus a 2.5 percent surtax for alternate minimum tax (AMT) taxpayers over one million dollars.
- Constructed a new government agency with powers to impose taxes on U.S. coal production, a tariff on imported coal, and a special tax on companies that formerly had contracts with the United Mine Workers.

As of September 29, 1992, 245 days later, the Democrat Congress still has not passed any economic stimulus package, contributing to the nation's 7.6 percent unemployment rate.

S. 3, Senate Election Ethics Act of 1991. Vetoed by the President this spring, S. 3 would have imposed a hidden tax to fund Senate and House campaigns. In toto, S. 3 would have cost Americans almost \$1 billion over a six year election cycle.

Staff Contact: Kelly Johnston, 224-2946

Dole for Senate '92

Post Office Box 15471
Washington, D.C. 20003-0471

FAX TRANSMITTAL

TO: SENATOR DOLE
FROM: JO-ANNE
DATE: 9/18/92

Number of pages including this cover page: 11

Comments/Attachments:

PER YOUR REQUEST, ATTACHED 15
LIST OF DEBATE INVITATIONS

If there are any problems with this transmittal, please call
(202) 408-5086 and ask for _____.

Time: _____

AUG-31-92 MON 11:28

DOLE FOR SENATE IN 92

FAX NO. 9132710188

P.02

DEBATE REQUESTS AS OF 9/1/92
(ADD RTWU - PUBLIC TV -
SEE K.P. MEMO ATCH'D)

1. WIBW-TV DEBATE SUNDAY NIGHT, 10:35 P.M. NOVEMBER 1, TOPEKA
STUDIO, NO AUDIENCE. SEE ATTACHED
2. KPTS CANDIDATE FORUM, TAPED IN ADVANCE AND AIRED ON OCTOBER
28TH, TAPED DURING THE WEEK OF OCTOBER 21. 30-MINUTE
INTERVIEWS WITH CANDIDATES FOR THE U.S. SENATE, TAPED
SEPERATELY AND AIRED BACK TO BACK. TAPED IN WICHITA STUDIO.
SEE ATTACHED.
3. KSNW-TV DEBATE SUNDAY EVENING, 5 - 6 P.M. NOVEMBER 1, WICHITA.
STUDIO DEBATE, VIEWERS CALL IN WITH QUESTIONS. SEE ATTACHED.
4. KSNT-TV DEBATE SUNDAY EVENING 5-5:30 P.M. OCTOBER 18.
QUESTION AND ANSWER I NTHE STUDIO WITH A MODERATOR AND THREE
PANELIST ASKING QUESTIONS. LIVE DEBATE. SEE ATTACHED.
5. UNITED WE STAND CANDIDATE FORUM SATUDAY AFTERNOON SEPT. 19,
2:00 P.M. HUTCHINSON HOLIDOME WITH APPROXIMATELY 600 FORMER
PEROT SUPPORTERS FROM ALL 105 COUNTIES. SEE ATTACHED. NOTE:
JO-ANNE COE HAS FURTHER DETAILS IN MEMO FROM A CONVERSATION
WITH THE ORGANIZER, ORVILLE SWEET.
6. KANZ-KZNA RADIO DEBATE SUNDAY AFTERNOON, 3 P.M., OCTOBER 11,
GARDEN CITY RADIO STUDIOS. AUDIENCE PRESENT, QUESTIONS
PROVIDED BY A PANEL OF KANSAS REPORTERS. RADIO LISTENERS
WOULD BE ABLE TO CALL IN QUESTIONS AND MEMBERS OF THE AUDIENCE
COULD ALSO CALL IN QUESTIONS. SEE ATTACHED. NOTE, DATE AND
TIME, ETC. ARE FLEXIBLE.
7. KANU RADIO DEBATE, NO SPECIFIC DATE IDENTIFIED, WOULD BE IN
STUDIO IN LAWRENCE KANSAS, ONE MODERATOR WOULD ASK QUESTIONS
OF THE U.S. SENATE CANDIDATES. NO MATERIAL SENT AT THIS TIME.

PAGE TWO

8. KTKA TV IN TOPEKA HAS ASKED THE SENATOR TO PARTICIPATE IN A JOINT TAPED FORUM WITH O'DELL "SOMETIME IN OCT." TO BE AIRED AS THEIR WEEKLY PUBLIC AFFAIRS PROGRAM 9 A.M. SUNDAY MORNING. THE MDOERATOR WOULD BE ONE OF STATION'S REGULAR REPORTERS. NO AUDIENCE NO PANEL. NO MATERIAL ATTACHED.

*THIS IS THE COMPLETE LIST OF DEBATE REQUESTS AS OF SEPTEMBER FIRST. IT WOULD SEEM TO MAKE SOME SENSE FOR THE SENATOR TO APPEAR BEFORE THE "UNITED WE STAND" FORUM IF WE FEEL CONFIDENT THAT THE SENATOR WILL GET THIS GROUP'S ENDORSEMENT. BEYOND THAT, I WOULD GUESS THAT DOING ONE RADIO DEBATE AND ONE TV DEBATE WOULD BE MORE THAN ADEQUATE AND FRANKLY, IT COULD BE THAT DOING ONE TV DEBATE IS ADEQUATE....JUST TO SAY THE SENATOR DID IT.

Bob Dole

U.S. SENATE

MEMORANDUM

TO: JO-ANNE COE
FROM: KATHY PETERSON
RE: PUBLIC TELEVISION DEBATES
DATE: SEPTEMBER 16, 1992

MONDAY MORNING OF THIS WEEK I HAD A PHONE CALL FROM TAMA WAGNER, KANSAS PUBLIC RADIO NETWORK POLITICAL REPORTER REGARDING THIS WHOLE SUBJECT OF SENATORIAL DEBATES. I BROUGHT HER UP TO SPEED REGARDING THE RUNAROUND DOLE FOR SENATE WAS GETTING FROM MARCIA STUART, REPEATING THE OFFER SENATOR DOLE HAD MADE OVER THE WEEKEND TO ORVILLE SWEET.

SHE MENTIONED THE FACT THAT SHE HAD BEEN CONTACTED SEVERAL WEEKS AGO BY KTWU-TV, THE PUBLIC TV STATION IN TOPEKA, INQUIRING AS TO HER INTEREST IN MODERATING A SENATORIAL DEBATE SOMETIME THIS FALL. SHE ADDED, HOWEVER, THAT THE STATION HAD NEVER FOLLOWED UP THEIR INITIAL INQUIRY.

I THEN RECEIVED A CALL FROM MR. DAVE POMEROY, PROGRAMMING DIRECTOR AT THE STATION. HE SAID HE'D VISITED WITH MS. WAGNER AND WONDERED IF THE SENATOR WOULD BE INTERESTED IN CONSIDERING A PUBLIC TV DEBATE. I RESPONDED THAT THE SENATOR, WHILE EXTREMELY BUSY, WAS ALWAYS MOST WILLING TO CONSIDER ALL REQUESTS.

I SUGGESTED THAT AT THIS TIME, NO "FORMAL" REQUEST OR PROPOSAL BE SUBMITTED BY THE STATION. RATHER, WE DISCUSSED IN GENERAL TERMS THE FOLLOWING: A MID-OCTOBER TIME FRAME, NO AUDIENCE IN THE STUDIO,

PAGE TWO

A STANDARD FORMAT, PARTICIPATION OF ALL CANDIDATES, A SATURDAY OR SUNDAY EARLY EVENING AND MAKING THE PROGRAM AVAILABLE TO PUBLIC TV STATIONS STATEWIDE.

IN SUMMARY, I FEEL CONFIDENT THE STATION WOULD WORK WITH US TO ATTAIN WHATEVER KIND OF OPPORTUNITY WE WISHED, WHILE AT THE SAME TIME AVOIDING ANY CHARGES OF "SPECIAL" TREATMENT.

WE NEED TO GET BACK IN TOUCH WITH THE STATION AT THE EARLIEST POSSIBLE TIME. IF I CAN PROVIDE ANY ADDITIONAL INFORMATION OR ANSWER ANY QUESTIONS PLEASE ADVISE.



HIGH PLAINS PUBLIC RADIO

KANZA SOCIETY, INC.
STUDIOS
AND OFFICES

210 North Seventh
Garden City, KS 67846-5519
316-275-7444

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KZNA-FM 90.5
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91.3 FM
Ness City, Kansas
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90.7 FM
Tribune, Kansas
98.3 FM
Lamar, Colorado
98.3 FM
Guymon, Oklahoma
99.3 FM

August 17, 1992

Kathy Peterson, Campaign Coordinator
Dole for Senate
4030 Huntoon
Topeka, Kansas 66604

Dear Ms. Peterson:

I'm glad we were finally able to hook up with each other last week! As you requested, I've enclosed a summary of what we'd like to put together with Senator Dole, Gloria O'Dell, and Libertarian candidate Mark Kirk. We're still working on some of the particulars, such as a definite moderator and some technical matters.

What I have outlined is what, at this point, would work best for the station. We are willing to negotiate most points, such as the date and time, until we come up with something that is mutually agreeable among the candidates.

If you have any questions, please feel free to call me anytime. If I can't be reached, our Program Director, Ron Engels, should be able to answer any of your questions. I hope Senator Dole will be able to take this opportunity to speak with Ms. O'Dell and Mr. Kirk and help FM91's listeners make an informed decision in November.

Thanks for your help, and I hope we'll be able to get something worked out.

Sincerely,

Colleen Condron
Colleen Condron

Kansas Senate Candidate Forum Proposal

DATE: Sunday, October 11, 1992, at 3 p.m.

FORMAT: Sixty minute question and answer session with candidates running for the United States Senate from Kansas.

The program will be produced by High Plains Public Radio in conjunction with the Finney County League of Women Voters. It will begin with an opening statement from each candidate, followed by a question and answer session. Questions will be provided by a panel of representatives from Kansas media, including Kansas Public Radio Statehouse Bureau Chief Tama Wagner. There will be an opportunity for listeners to phone in questions for the candidates, as well as a segment for studio audience questions. Telephone questions will be paraphrased by the moderator.

LOCATION: The studios of High Plains Public Radio, 210 North Seventh Street, Garden City, Kansas. Seating is limited to approximately 45 people. Each candidate will be allowed 10 audience members, and should provide the station with a list of the names of those people.

COVERAGE: High Plains Public Radio consists of two 100,000 watt transmitters and 16 low power translators which cover the western third of Kansas. The station's listeners are well educated and very likely to vote. Because public radio is the ideal medium for in-depth coverage of the issues, listeners in western Kansas have come to rely upon the election coverage of High Plains Public Radio to assist them in making informed decisions.

In order to give listeners all over the state the opportunity to hear the candidates present the issues, the program will be offered to the following members of the Kansas Public Radio Network:

KANU--Lawrence
KMUW--Wichita

KKSU--Manhattan
KRPS--Pittsburg

Each station will be responsible for its own local promotion. High Plains Public Radio promotion will consist of heavy on-air promotion as well as print ads in daily newspapers in our coverage area.



6835 N.W. Hwy 24
P.O. Box 2700
Topeka, KS 66601
(913) 562-1000

August 5, 1992

U. S. Senator Robert Dole
4030 SW Huntoon Street
Topeka, Kansas 66604

Dear Senator Dole:

KSNT-TV would like to invite you to participate in a live half-hour debate with Gloria O'Dell on Sunday, October 18, 1992.

The program would run from 5:00pm to 5:30pm. The question and answer format would feature a moderator and three panelists. The panelists would be Topeka area journalists.

Please let me know by September 1 if this debate can work into your schedule.

Sincerely,

John Rinkenbaugh
KSNT-TV News Director

JR/sc



TO: Kathy Peterson
FROM: Laura McMillan
RE: KSNW-TV Conversation with the Candidates
DATE: August 28, 1992

This is the written request you asked for concerning our NewsChannel 3 Conversation with the Candidates.

We would like Senator Dole to take part in an informal live television discussion November 1, 1992, from 5 until 6 in the evening. His opponent, Gloria O'Dell, will also be invited to attend. The discussion would take place in the KSNW-TV studios at 833 North Main in Wichita. If Senator Dole has that date open, but will not be in the Wichita area, we could try to get a camera to his location.

The format will be informal. We will have viewers call-in with their questions, and we will probably have people ask questions from live remote locations. We had a very positive response from viewers to two similar shows held before the Primary Election in August. The ratings for both shows were strong.

Please, contact me when you know if the Senator can take part in the November 1st telecast. I am the show's producer. The phone number in the newsroom is 292-1111.

Thank you for your consideration.

A handwritten signature in cursive script that reads 'Laura McMillan'.

Laura McMillan

** TOTAL PAGE.002 **



Kansas Public Telecommunications Service, Inc.

P.O. Box 288 • Wichita, KS 67201-0288 • (316) 838-3090 • Offices/Studio: 320 West 21st St., Wichita

Aug. 18, 1992

Kathy Peterson
Dole for Senate '92
4030 SW Huntoon
Topeka, Kansas 66604

Dear Ms. Peterson:

As part of its general election coverage, KPTS plans to air a series of candidate interviews during the last few weeks of the election campaign.

The programs will be part of KPTS' regular interview series, Kansas Week Focus. Under that format, I will conduct a 30-minute, one-on-one interview with each participating candidate.

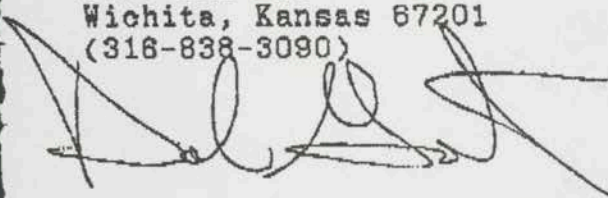
Current plans are to broadcast interviews with the Republican and Democratic candidates for U.S. Senate and the First and Fourth Congressional Districts.

Interviews featuring the First District candidates will be aired on Oct. 21; interviews with U.S. Senate candidates will air Oct. 28. The Fourth District candidate interviews will air on election eve, Nov. 2. The October programs will also be repeated on the following Fridays and Saturdays.

In order to schedule taping sessions, I am requesting that each candidate confirm his or her intent to participate in the programs. Candidates who choose to participate in this interview series should submit written confirmation to KPTS by Aug. 28. It is our intent to tape the programs during the week prior to their scheduled air date. The deadline for scheduling a specific date and time for taping is Oct. 1.

Thank you for your consideration and we look forward to hearing from you by Aug. 28.

Dale Goter
KPTS Public Affairs Editor
P.O. Box 288
Wichita, Kansas 67201
(316-838-3090)





Stauffer Communications, Inc.

TELEVISION DIVISION

Box 119 TOPEKA, KANSAS 66601 913-272-3456 FAX: 913-272-0117

August 27, 1992

JERRY HOLLEY
General Manager WIBW-TV
Vice President - Television
Stauffer Communications, Inc.

Senator Bob Dole
DOLE FOR SENATE
4030 S.W. Huntoon St.
Topeka, KS 66604

Dear Senator Dole:

Congratulations on being selected as your party's nominee for the United States Senate!

With the full knowledge that every minute of your time between now and November 3 will be very valuable, we wanted to advise you that WIBW-TV will offer air time for a debate between you and your opponent in the General Election.

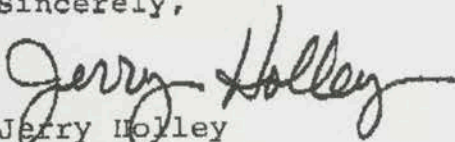
We have tentatively scheduled the half-hour debate for a live broadcast at 10:35 p.m. on Sunday, November 1.

Providing you and your opponent can both agree to this date and time, we will proceed with our plans and provide further details in the near future.

If you can commit to being in our studios at that time, please sign the enclosed copy of this letter and return it to us by September 7. If there is any problem, please have a representative of your campaign contact me at 913/272-3456.

Experience has shown that broadcast debates of the issues can be very valuable to voters. We hope you will find it possible to participate in our effort to inform the viewers of Northeast Kansas.

Sincerely,


Jerry Holley
General Manager

AGREED AND ACCEPTED:

(Signature)

DATE: _____

TELEVISION SERVICES OF STAUFFER COMMUNICATIONS, INC.

WIBW-TV
CBS-Topeka, KansasKCOY-TV
CBS-Santa Maria, Calif.KMIZ-TV
ABC-Columbia, MissouriKQWN-TV
CBS-Cheyenne, WyomingKSTF-TV
CBS-Scottsbluff, NebraskaKTYS-TV
CBS-Sterling, ColoradoKGWC-TV
CBS-Casper, WyomingKGWL-TV
CBS-Lander/Riverton, WyomingKGWR-TV
CBS-Rock Springs, Wyoming

Reality Check ✓

Straight Facts for the '90s

September 29, 1992

Status Report on The President's Program: America Still Waits

President Bush, in his January 28th State of the Union Address, challenged Congress to act on a seven-point, short-term economic growth and job creation bill by March 20th. The Republican Leader introduced S. 2195 on February 5th, followed by S. 2217 on February 7th, which include the major components of the President's economic program. It's been 245 days since the President's challenge, and the country awaits Congressional action on an economic growth bill.

Not Just the Economy

Congress has also stalled on the President's and Republican Senate proposals for comprehensive health care reform; education reform; enhanced rescission authority, or the line item veto; crime legislation; and the energy bill. Additionally, the House has voted to cut the President's applied research initiatives by more than \$500 million and to only extend the R&D tax credit on a temporary basis.

Here is a brief update on the status of some of the President's major proposals:

1. Growth Incentives and Tax Reductions. The President's plan called for incentives for first-time homebuyers, a capital gains reduction, enterprise zones, an investment tax allowance, alternative minimum tax relief, and a \$500 per child increase in the personal exemption. Some of these provisions were included in H.R. 11, a bill that is still in conference. *Status: 245 days without Congressional enactment.*

2. Comprehensive Healthcare Reform. The President's health care reform plan, announced on February 6, calls for health insurance market reform, reductions in unnecessary administrative costs, malpractice reform, 100% deductibility for health insurance premiums for the self-employed, and increases for preventive health care initiatives. H.R. 11, which is still in conference, contains provisions on health insurance market reforms that are similar to the President's proposal and a temporary increase in the deductibility of insurance premiums for the self-employed. Funding levels for preventive health services contained in the FY 93 Labor-HHS Appropriation bill are generally below those requested by the President, but the bill remains in conference. *Status: 236 days without Congressional enactment.*

3. Investing in Education and Job Training. The conference report on the education reform bill (S. 2) does not contain funding for the President's America 2000 or "GI Bill for Children" proposals. Nor has there been Congressional approval of the President's Job Training 2000 initiative. *Status: 495 days without Congressional enactment.*

4. Energy and the Environment. A bill incorporating the President's National Energy Strategy remains in conference. The President's request for the "America the Beautiful" initiative was cut by \$262 million, and the bill remains in conference. *Status: 559 days without Congressional enactment.*

5. Hope for Distressed Communities. The President's plan includes the "Weed and Seed" initiative, the establishment of enterprise zones, HOPE grants for tenant ownership, housing vouchers, and a war on crime. H.R. 11 calls for the creation of far fewer enterprise zones than the President had requested, and the bill remains in conference. The FY 93 VA-HUD appropriation bill also cut the President's request for HOPE grants and housing vouchers. This bill, too, remains in conference. *Status: 1329 days without Congressional enactment of enterprise zones; 1216 days without enactment of a crime bill.*

6. Economic Competitiveness. In addition to improvements in education and job training, the President has proposed comprehensive tort reform and civil justice reform. Senate Democrats filibustered the product liability bill and there has been no action on comprehensive tort reform. *Status: 235 days without Congressional enactment of civil justice reform; 327 days without enactment of tort reform.*

7. Reducing the Deficit and Controlling Federal Spending. The President has called for a constitutional amendment to balance the budget, a line item veto, enhanced rescission authority and caps on growth in mandatory spending. Congress has acted on none of these proposals, some of which the President proposed early in his first year in office.

PETE V. DOMENICI
NEW MEXICO

COMMITTEES:
BUDGET
APPROPRIATIONS
ENERGY AND NATURAL RESOURCES
BANKING
INDIAN AFFAIRS

United States Senate
WASHINGTON, DC 20510-3101

September 17, 1992

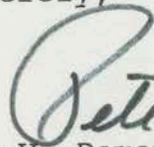
The Honorable Robert Dole
141 Hart Senate Office Building
Washington, D.C. 20510

Dear Leader,

The enclosed article, "Demoscierosis," is one of the best analyses I have read regarding what is happening to our country; it's not partisan gridlock, but rather gridlock of the total democratic system because of the way special interests win and change doesn't occur.

I hope you will find this helpful as you think about and try to explain why our postwar government is unable to meet the challenges of reform to resolve our pressing problems.

Sincerely,



Pete V. Domenici
United State Senator

Enclosure

G O V E R N M E N T

Demosclerosis

Liberal and conservative goals alike are falling victim to postwar democratic government's progressive loss of the ability to adapt. The disease may be inherent and irreversible.

BY JONATHAN RAUCH

On April 10, a group of kamikaze Senators marched to the chamber floor with an alternative budget. What they got back was a stark demonstration of the forces that are petrifying postwar democracy.

"We do not seek to end entitlements, or even to reduce them," Sen. Charles S. Robb, D-Va., told the Senate that day. "We do, however, believe that it is necessary to restrain their growth. That is, first and foremost, what this amendment does."

Entitlement programs are check-writing machines whose subsidies are mandatory under law: social security, medicare, farm supports, welfare, countless more. Today they account for a staggering three-fourths of all federal domestic spending. And so Sen. Pete V. Domenici, R-N.M., was doing nothing more than acknowledging reality when he told the Senate, "If we do not do anything to control the mandatory expenditures, the deficit will continue skyrocketing."

The bipartisan group—Domenici and Robb, Sam Nunn, D-Ga., and Warren Rudman, R-N.H.—proposed phasing in a cap on over-all entitlement growth. To avoid bringing the roof down on their heads, they exempted social security. The other entitlement programs would collectively grow to account for inflation and demographic changes, but no more.

Within two hours of the four Senators' first detailed discussion of their proposal, they were receiving telegrams. Domenici told the Senate, "from all over the country, saying that this is going to hurt a veterans' group, this is going to hurt people on welfare, this is going to hurt seniors on medicare."

"We were inundated," G. William Hoagland, the Senate Budget Committee's Republican staff director, recalled during a recent interview. "Just about every interest group you can think of was strongly opposed. It was very dramatic how quickly they all came to the defense."

The American Association of Retired Persons (AARP) called the proposal a "direct attack"; the National Council of

Senior Citizens, "outrageous"; the Children's Defense Fund, "unacceptable"; the Committee for Education Funding, "unconscionable"; the Food Research and Action Center, "devastating"; the American Federation of Government Employees, AFL-CIO, "unfair and unconscionable"; the Veterans of Foreign Wars of the United States, "totally unjust"; the Disabled American Veterans, "unconscionable"; the American Legion, "incredible"; the Paralyzed Veterans of America, "inherently unfair"; the National Cotton Council of America, the U.S. Rice Producers' Group and the National Farmers Organization, "unfair"; the American Postal Workers Union, AFL-CIO, "irresponsible, simple-minded," and so on.

On the floor of the Senate, the amendment's opponents moved to exempt disabled veterans from the entitlement cap. The exemption passed, 66-28. "We were going to exclude every Tom, Dick and Harry organization out there before we were finished," Hoagland said. Rather than face death by amendment, Domenici and the others withdrew their plan. That ended it.

The Domenici group's effort fell victim to demosclerosis—postwar democratic government's progressive loss of the ability to adapt. Demosclerosis is the most important governmental phenomenon of our time. No surprise, then, that it is also the most explained.

Liberals blame conservatives. "Government has stopped addressing accumulated public problems," wrote the liberal journalist Robert Kuttner in *The New Republic* recently: "a deliberate strategy of laissez-faire Republicans, who don't believe in government."

Conservatives blame liberals, alleging that left-wing ideology drives liberals to cling brainlessly to every program ever adopted. "Reactionary liberalism," the conservatives call it.

Populists and business-bashers, such as the liberal journalist William Greider, blame moneyed elites and corporate lobbying. Political analysts blame the current state of the political system: divided con-

trol of the government, the early-1970s reforms that dispersed power in Congress, the breakdown of strong political parties, the rise of a professional political class and so forth.

The public blames, above all, "leadership," or the lack of it. A strong leader (runs the theory), uncorrupted by politics as usual, could shake the barnacles from the system. Thus the wave of support for Ross Perot.

Many of the explainers' standard explanations are partly right. Yet there are grounds to believe that none of the above fully comprehends what is going on.

People used to fear that democracy would dither fatally while dictators and totalitarians swept the field. That fear turned out to be mistaken. Now it appears that the vulnerabilities of democracy—at any rate, of the postwar style of democracy, with its professional activists and its large and fairly powerful government—are mundane and close to home.

One such vulnerability is the tendency to rob the future to pay for consumption today—but that's another story. The other vulnerability is creeping special-interest gridlock: that is, progressive sclerosis.

Here in Washington, people like to think that sclerosis is temporary, or at least is treatable with political reforms. Maybe not. If postwar government is petrifying, the causes may be deep rather than superficial and fundamental rather than merely partisan. In other words, demoscclerosis may be inherent and irreversible.

GETTING ORGANIZED

In 1982, a University of Maryland economist published a scholarly book called *The Rise and Decline of Nations* (Yale University Press). Mancur Olson set out to explain, or partially explain, why societies tend to ossify and stagnate as they age. Few people outside of academia took much note of Olson and his ideas. To return to his book today, however, is an eerie experience, for the theory of 1982 foreshadows 1992's politics of frustration.

In every society, Olson said, there are two ways for people to improve their lot and grow rich. One is to produce more; the other is to capture more of what others produce. Doing the latter is possible, but requires political pull or marketplace power; attaining either of those requires that people band together to form either interest groups or cartels.

Interest groups can make their members better off by seeking subsidies, tax breaks, monopolies, favorable regulations and so on. Postal workers seek a monopoly on first-class mail; dairy farm-

ers seek production controls to jack up prices; and so on. Private cartels can make their members better off by raising prices and barring newcomers from the market. Olson called such beggar-thy-neighbor groups "distributional coalitions."

So far, so obvious. Then Olson went on to the less obvious. Despite what you might think, to organize an interest group or cartel is difficult. The organizer will bear most of the start-up costs, and yet can expect only a fraction of the benefits, which must be shared among the mem-

away: Amateur activists can always drop the cause and go home, but for professionals, the cause pays the mortgage.

The result, Olson concluded, is this rule: "Stable societies with unchanged boundaries tend to accumulate more collusions and organizations for collective action over time." Look at the AARP's membership curve (see chart, p. 2001), multiply it by countless interest groups, and you get the idea.

Cartels have not proved to be the problem that Americans once expected, thanks mainly to foreign competition. If



University of Maryland economist Mancur Olson
Increased bickering over scarce resources can "make societies ungovernable."

bers. Members, in turn, will be reluctant to join until they see that the group is successful. Even then, they may stay out and let others do the work.

As a result, Olson wrote, "organization for collective action takes a good deal of time to emerge." Trade unions did not appear, for instance, until almost a century after the Industrial Revolution. Farmers' groups didn't appear in America until after World War I. Social security dates back to 1935, but the AARP didn't appear until 1958.

Once groups organize, however, they almost never disappear. Instead, Olson wrote, "they usually survive until there is a social upheaval or other form of violence or instability." Furthermore, over time the interest groups professionalize. This makes them still less likely to go

cartels organize the domestic market, as some say the Big Three automakers did informally through the 1970s, fat profits lure in imports to bust the trust.

But political pressure groups have the added power of the law, and are not so easily undermined. These groups' effects are of two kinds, economic and governmental.

Economically speaking, entrenched interest groups slow the adoption of new technology and ideas by clinging to the status quo. They distort the economy, and so reduce its efficiency, by locking out competition and locking in subsidies. As they grow, they suck more of society's top talent into the redistribution industry. All in all, the economic costs can be very large. (For a report on the "parasite economy" and its costs, see NJ, 4/25/92, p. 980.)

The other kind of effect is on government. The accretion of interest groups, and the rise of bickering over scarce resources, Olson feared, can "make societies ungovernable."

Now the theory's darker implications come into view. "The logic of the argument implies that countries that have had democratic freedom of organization without upheaval or invasion the longest will suffer the most from growth-repressing organizations and combinations," Olson wrote. If he is right, then the piling up of entrenched interest groups, each clinging to some favorable deal or subsidy, is an inevitable process as democracies age.

However, occasionally some cata-

Look at Japan and West Germany, where authoritarian regimes and then foreign occupations swept away entrenched interest groups and anticompetitive deals. "Economic miracles" followed in both countries as resources were freed from groups that had captured and monopolized them. (Catch-up growth, Olson says, can explain only a part of Japan's and Germany's success.) By contrast, "Great Britain, the major nation with the longest immunity from dictatorship, invasion and revolution, has had in this century a lower rate of growth than other large, developed democracies."

Even in the United States, Olson said, the pattern applies. Statistical tests comparing the 50 states showed that "the longer a state has been settled and the longer the time it has had to accumulate special-interest groups, the slower its rate of growth."

His hypothesis suggested a social cycle:

A country emerges from a period of political repression or upheaval into a period of stability and freedom. If other conditions are favorable, rapid growth ensues. (South Korea and Taiwan, both emerging from dictatorship and both showing rapid growth, would be in this stage today; China might be next.) Gradually, interest groups organize and secure anticompetitive deals. These deals accumulate, each being

jealously defended. Over time, growth slows and paralysis sets in.

Although Olson was concerned mainly with the sapping of economic vigor, his theory also has profound implications for the sapping of governmental vigor. To see why, look at Washington in 1992.

PARALYSIS

Look, for instance, at what happened to the entitlement-cap proposal. Anyone

who doubts that today's professional interest groups can mobilize almost instantly to defend their favorable deals need only consider the fate of the move by Robb, Domenici and the others.

Another case in point, one of many, is banking reform. The law that regulates the U.S. banking system goes back 50 years or more and is largely archaic. Banks are barred from a variety of money-making activities (underwriting securities or mutual funds, selling insurance, branching across state lines) that their modern competitors perform with impunity. Thus hobbled, banks have difficulty finding profits. Weak banks, in turn, weaken the whole financial system.

In 1991, the Bush Administration sent Congress a banking reform package. It was shot to pieces in what the *New York Times* called "a frenzied attack by lobbyists. . . . Small bankers, fearing competition, tore away interstate banking. Insurance firms, fearing competition, tore away insurance underwriting. Securities firms, fearing competition, tore away the proposal to let banks sell stocks and bonds."

In the end, *National Journal* reported, "every Administration proposal for permitting banks to widen their business horizons—every single one—was picked off in the carnage." (See *NJ*, 12/14/91, p. 3008.) The result is surely one of the most bizarre policies of our time: As the 21st century approaches, the country limps along with New Deal banking laws.

What happens when you try to attack an anticompetitive arrangement? A classic example of such an arrangement protects public school employees, who enjoy a monopoly claim on tax dollars for education. Recently, two provisions of the Bush Administration's watery education reform package attempted to nibble at this monopoly.

Bush wanted to finance 535 new "break-the-mold" schools, both public and private, to be chosen competitively in Washington; he also proposed incentives for localities to try voucher plans, which let parents spend public money at private schools. The idea in both cases was to stimulate innovation by bypassing the entrenched establishment of public school employees.

On Capitol Hill, the voucher measure was demolished under ferocious opposition from groups representing public school teachers and administrators. Under pressure from the National School Boards Association and others, the "break-the-mold" schools turned mostly into block grants for state education agencies and local school districts: in other words, more money for the existing system and its officials.

Whichever way you feel about the



Though the REA's mission is largely fulfilled, it lives on.

clysmic event—war, perhaps, or revolution—may sweep away an existing government and, with it, the countless cozy arrangements that are protected by interest groups.

If his theory is right, Olson concludes, "it follows that countries whose distributional coalitions have been emasculated or abolished by totalitarian government or foreign occupation should grow relatively quickly after a free and stable legal order is established."

Bush proposals, their fate is indicative. "In the politics of education, what you have to recognize right from the start is that the [public school] educational establishment has tremendously more resources than anybody else," said Stanford University political scientist Terry M. Moe, who advocates vouchers and other reforms. "And that's not unique to education. You can't get anything past these groups."

If there is a single sad symptom of demoscclerosis, however, it is bogus national poverty.

People often talk as though the country has become too poor to afford federal initiatives. In fact, the United States is now wealthier than any other country in human history, including its prior self. In 1990, real per capita disposable income was twice as high as in 1960, when the federal government could "afford" almost anything; real wealth per capita was 62 per cent higher than in 1960 and real output was 80 per cent higher. "Poor" is the one thing America is not.

Is the government poor? It collects and spends more, in inflation-adjusted dollars, than at any time in history, far more even than at the peak of World War II. Its tax base, measured as a share of the economy, is at the high end of the postwar norm, and above the level of the "wealthy" 1950s and 1960s.

If government is "poor," it is only because of its inability to reallocate resources for new needs. In other words, government is not poor, it is paralyzed.

TRIAL AND ERROR

What is going on here? Why has government become so ossified and immobile?

In large, complex systems, the key to successful adaptation is the method of trial and error. In the large, complex system of biological evolution, species undergo mutations, the vast majority of which fail. A few, however, succeed brilliantly, and those proliferate by out-competing the others. That is how life adapts to changing environments.

Similarly with a capitalist economy: The key to its adaptability is that it makes many mistakes but corrects them quickly. Entrepreneurs open businesses; many fail, but every so often someone hits on a brilliant innovation. The more-successful strategies will proliferate by out-competing the others. Capitalism adapts through trial and error.

Similarly with science: It tries out countless hypotheses every day and abandons most of them. The knowledge base adapts through trial and error.

Government is another big, complex social system. The way for governments

Demosclerosis— postwar democratic government's progressive loss of the ability to adapt—is today's most important governmental phenomenon.

to learn what works in a changing world is to try various approaches and quickly abandon or adjust the failures: trial and error. However, something has gone badly wrong.

For fiscal 1993 alone, the Bush Administration proposed ending 246 federal programs and 4,192 federal projects. How many of those will die? Approximately none. The Reagan Administration made

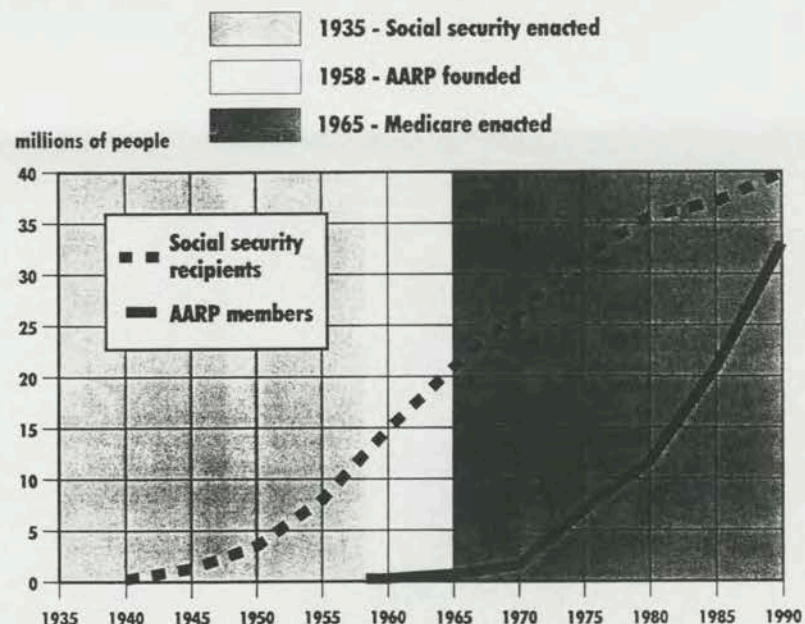
a fetish of trying to eliminate federal programs. Despite President Reagan's high popularity and his effective control of Congress in 1981-82, during his eight years in office a grand total of two major programs—general revenue sharing and urban development action grants—actually got killed. (See *NJ*, 3/28/92, p. 755.)

One reason is that people disagree about which programs failed, and even about what "failing" means. Another reason is that as soon as a program is set up, the people who depend on it—both the direct beneficiaries and the program's employees and administrators—organize to defend it ferociously. These groups are, of course, none other than Olson's "distributional coalitions"—what others have for years described as part of an "iron triangle." They have money, votes and passion. They can be defied, but only at serious political risk.

In the period beginning with the New Deal and peaking with President Johnson's Great Society, Washington seemed one of society's most adaptive and progressive forces—which, at the time, it was. What Franklin D. Roosevelt's and LBJ's visionary policy makers did not foresee was that every program generates an entrenched lobby that never goes away. The result is that virtually every program lasts forever.

And so, although no one disputes that the Rural Electrification Administration has largely fulfilled its New Deal mission of bringing power and telephones to rural

HOW PROGRAMS BEGET DEFENDERS



SOURCES: American Association of Retired Persons; Social Security Administration

America, the program keeps right on going. The rural electric cooperatives' 65,000 employees and 10,000 local directors vigorously defend it, with the help of their interest group, the National Rural Electric Cooperative Association, whose budget for programs and administration runs to \$11 million a year.

In 1955, Congress set up a program to subsidize the production of wool, which in those days was a vital military commodity. Along came synthetics, which by 1960 knocked wool off the Pentagon's strategic commodities list. But in 1992, more than three decades later, the wool program will spend \$180 million. It is ably defended by the small but devoted group of people who benefit from it, in some cases richly (in 1989, more than 60 farmers got subsidy checks for more than \$100,000). (See *NJ*, 5/18/91, p. 1168.)

Not only are policies hard to kill, they are also hard to change. Every wrinkle in the law produces a winner who will resist reform. That is why the United States operates under an anachronistic banking law from the early 20th century. Years ago, scholars understood that some provisions of the program of aid to families with dependent children, a mainstay of the welfare system, encourage fathers to leave home. Yet key corrections have still not been made. (See *NJ*, 6/20/92, p. 1454.)

And so programs are impossible to kill and very difficult to correct. The implications of this are profound.

Imagine an economy in which every

If postwar government in the United States is petrifying, the causes may be deep rather than superficial and fundamental rather than merely partisan.

important business enterprise is kept alive by an interest group with political clout. Over time, the world would change, but the businesses wouldn't. Obsolescent companies would gobble up resources, crowding out new companies. The economy would cease to adapt.

That is what happened to the Soviet economy. Which imploded.

In principle, the U.S. government's sit-

uation is like the Soviet economy's. In both, the method of trial and error has collapsed.

In Washington, every program is quasi-permanent, every mistake is written into a law that some vested interest will defend furiously. The result is that as the old clutter accumulates, government cannot adapt.

First, old programs and policies cannot be gotten rid of, and yet continue to suck up money and energy. And so there is little money or energy for new programs and policies. The old crowds out the new.

Second, and at least as important: When every program is permanent, the price of failure becomes extravagant. The key to experimenting successfully is knowing that you can correct your mistakes and try again. But what if you are stuck with your mistakes forever, or at least for decades? Then experimentation becomes extremely risky.

Everyone agrees that the nation's current health care system makes no sense. Yet any reform will produce vested winners (hospitals? doctors? drug companies? left-handed dentists?) who will fight further change. A Canadian-style system or a voucher system, once adopted, would be hard to adjust and almost impossible to get rid of. Policy makers, fearful of making a mess they cannot clean up, become rightly reluctant to innovate.

Underlying the breakdown of the method of trial and error is an ironic cycle, based on the fact that every new

program creates a permanent interest group. The same programs that made government a progressive force from the 1930s through the 1960s also created swarms of dependent special interests whose defensive lobbying made government rigid and brittle in the 1990s. In effect, the rise of government activism immobilized activist government. Yesterday's innovations became today's prisons.

No one starting anew today would think to subsidize wool farmers, banish banks from the mutual fund business, forbid United Parcel Service to deliver letters, grant massive tax breaks for borrowing. Countless policies are on the books not because they make sense in 1992, but merely because they cannot be gotten rid of. They are



Richard A. Bloom

Public school employees strive to protect their monopoly claim on education tax dollars.

dinosaurs that will not die. In a Darwinian sense, the universe of federal policies is ceasing to evolve.

HAPPY ENDING?

"Maybe the message is: Cheer up, things are getting worse," Olson said.

In person, Olson is more optimistic than his theory. Ten years ago, he ended his book with a sentence carefully crafted to leave room for optimism. Is it reasonable to expect, he wondered, that awareness of the damage done by special interests "will spread to larger and larger proportions of the population? And that this wider awareness will greatly limit the losses from special interests? That is what I expect, at least when I am searching for a happy ending."

He is still searching for that happy ending, and he reports being optimistic three days out of five. If the public becomes angry enough, politicians may risk the wrath of the special interests. Thus, if things get worse, action might be taken.

"We do see growing recognition of the problem," he said, "and history does show examples of thoroughgoing reform." Mexico, for instance, which has long been hogtied by cozy deals between special interests and the ruling party, is opening its economy. Even the obstinate government of India is opening up. In America, the 1986 Tax Reform Act demonstrated that an anti-special-interest package can succeed if the political leadership pushes hard enough and the payoff is big enough.

However, hope can be matched stride for stride by doubt. Tax reform was remarkable precisely because it was so rare and so difficult, and the steady accumulation of interest groups implies that such reform will become harder, not easier. Moreover, India, Mexico and, for that matter, the old Soviet Union turned to reform only after approaching, or actually crossing, the brink of calamity, a fact that gives little comfort.

Short of calamity, suppose American voters do get angry. So what? Generalized voter anger against "the system" does not translate into votes against particular programs or groups; no one gets reelected to Congress for voting against

maritime subsidies or wool farmers. "In Congress, we don't get to vote on the abstraction," retiring Rep. Vin Weber, R-Minn., told *Time* magazine in June. "We have to vote for or against actual programs."

What about reforms of the political process? Limits on politicians' terms and on campaign contributions, for example? Process reforms might make some difference, but probably not much. In a free society, groups will always find ways to defend their interests, as is their right.

At intervals, windows may open for

"The termites are always there," Olson said. "The clock keeps ticking."

If government tends to calcify, this does not necessarily mean the country will also calcify. It depends on how other institutions compensate. Corporations, for instance, are delivering education that the public schools are not. (See *NJ*, 8/1/92, p. 1775.)

Nor does calcification mean that the federal government is, or will be, wholly unable to pass laws, adopt policies and expand programs. It means, rather, that new reforms and policies and programs



Richard A. Blumenthal

As the 21st century approaches, the country limps along with New Deal banking laws.

reform. If the 1992 elections shake up both Congress and the White House, 1993 might provide such a window. However, the processes that Olson described are fundamental. They are in the system, not the people; new politicians will face the same pressures that their predecessors faced. Weber implied as much when he told *Time*, "I don't know what comes next after we have this tremendous cleaning-out election and then the Congress gets together next year and people find we still are not going to reduce the deficit, we still are not going to reform health care."

Weber added: "I'm not by nature a pessimist. I like to think that our system works and is going to right itself. But I see it decaying."

In any case, reforms' effects are likely to be temporary. Special-interest groups will always tend to accumulate over time; if shaken off, they will re-accumulate.

will tend to be piled on top of old ones, so that the whole accumulated mass becomes steadily less rational and less flexible—as though you had to build every new house on top of its predecessor.

What *demosclerosis* means for conservatives is that there is no significant hope of scraping away outmoded or uneeded or counterproductive liberal policies, because nothing old can be jettisoned. What it means for liberals is that there is no significant hope of using government as a progressive tool, because the method of trial and error has broken down.

For Washington and for the broad public, *demosclerosis* quite possibly means that the federal government is rusting solid and, in the medium and long term, nothing can be done about it. The disease of democratic government is not heart failure but hardening of the arteries. ■



UNITED STATES SENATE
WASHINGTON, D. C. 20510

CONNIE MACK
FLORIDA

September 28, 1992

Dear Bob,

Enclosed please find an article I have read and re-read a number of times since it was published in the Washington Times in February of 1989.

Paul Johnson writes remarkably well, and I hope you find a moment to peruse this stimulating and important piece.

All the best,

Sincerely,

A handwritten signature in blue ink, appearing to read "Connie Mack", written over the printed name.

Connie Mack

SPECIAL REPORT

PAUL JOHNSON

The moral dilemma confronting capitalism

The decade of the 1980s has proved to be an ideological watershed. It has been marked by a huge resurgence on the power and efficacy of the capitalist market system and a corresponding collapse of confidence in the capacity of the socialist "command economies." This loss of confidence in collectivism is the culmination of many decades of trial and misfortune.

The truth is that, during the 20th century, large parts of the world have given the collectivist alternative a long, thorough and staggeringly costly trial, and it seems to have failed absolutely everywhere. It was during the 1980s that this realization has dawned even in the quarters most reluctant to admit it — the rulers of the socialist-style states. Many of them are turning back, in despondency, almost in despair, to the despised market disciplines they had rejected.

Meanwhile, the capitalist world is racing ahead and is creating wealth on a scale never before dreamed of. It is clear that capitalism, being a natural force rather than a contrived ideology, springing from instincts deep in our human natures, is modifying itself all the time, and we cannot foresee how it will evolve over the next century. But I am willing to predict, as a result of our experiences in this one, that never again will any considerable body of opinion seriously doubt its wealth-producing capacity or seek to replace it with something fundamentally different.

We are near the end of a historical epoch in which capitalism has survived the collectivist assault and is now firmly re-established as the world's primary way of conducting its economic business.

So where does this leave us? It leaves us, I suggest, with a considerable moral dilemma. I can state the dilemma in one sentence: How do we give a moral dimension to this triumphant reassertion of capitalism? For one thing we know: Whereas wealth creation is essential to men's well-being, especially in a world where population is expanding so rapidly, it cannot in itself make men and

women happy. We are creatures of the spirit as well as of the flesh, and we cannot be at ease with ourselves unless we feel we are fulfilling, however vaguely or imperfectly, a moral purpose. It is in this respect that capitalism, as such, is inadequate.

It is not that capitalism is immoral. Clergymen who insist that it is, and preach against it, are themselves confused, as were their predecessors, a hundred years ago, who insisted that any form of socialism was immoral. One can be a good Christian, and a capitalist, just as one can be a good Christian and practice collectivism. The trouble with capitalism is quite otherwise. It lies in its moral neutrality, its indifference to the notion of moral choices. Capitalism and the market system which gives it its efficiency and its power is single-minded in its thrust — that is why it is so productive. It is blind to all other factors: blind to class, race and color; to religion and sex; to nationality and creed, to good and evil. It is materialist, impersonal and non-human. It responds with great speed and accuracy to all the market factors.

In a way it is like a marvelous natural computer. But it cannot make distinctions for which it is not programmed. It does not and cannot possess a soul and it therefore lacks a moral inclination one way or the other.

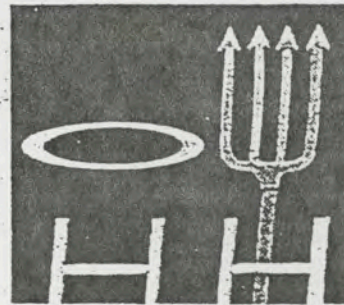
Great miseries, great blessings

Indeed, it is precisely because capitalism is morally indifferent — and so productive of great miseries as well as great blessings — that many idealists, early in the 19th century, saw it as evil, rejected it entirely and sought to replace it. We have come to the end of that line of argument. We have discovered there is no effective substitute. We have to accept capitalism as the primary means whereby wealth is produced and begin the process of moralization within its terms of reference.

I say "begin," but in a sense we have been doing it for 200 years — by Factories Acts, Mines Acts, by monopoly and fair-trading legislation and by all the countless laws we devise to restrict ways in which the market system can be distorted by man's cupidity.

If, for instance, you try to use capitalism to promote greater equality of wealth by imposing on it a steeply progressive, redistributive system of taxation, you frustrate the way in which it rewards its chief dynamic force, the acquisitive impulse, and you are liable to end by making everyone poorer.

Or if, to take another example, you try to redistribute power within capitalism by balancing managerial authority with trade union privileges, you either choke the entrepreneurial spirit or you eliminate



profits — the system's lifeblood — or, as a rule, you do both, and so again you end by making everyone poorer.

Almost all efforts to provide capitalism itself with a positive moral purpose run into the same difficulty.

Great Britain, between 1945 and the end of the 1970s, was a classic case where repeated and often ingenious attempts were made to cudgel capitalism into a system of national redistribution of wealth. It was part socialism, part corporatism and wholly inefficient. It was baptized by the moral-sounding name of the "mixed economy." In fact by the end of the 1970s it had come to resemble an ancient piece of do-it-yourself machinery, constructed by amateurs, held together by sticking plaster and emitting old-fashioned steam from every joint. The British economy had become one of the least efficient and productive in the Western World.

Thatcher returns to capitalism

In 1979 Margaret Thatcher and her government began the return to true capitalism, but even after nearly a decade of

commonsense reforms and rapid improvements in productivity, we calculate it will still take us another 10 years or so to catch up with Germany and France, while the United States and Japan are still farther beyond our reach.

That is the price of trying to make capitalism do something which it is not in its nature to do — promote equality. The price is paid in the shape of reduced national wealth and income — lower general living standards, inadequate health care, a rundown transport system, impoverished social services, underfunded schools. These results have been repeated, in varying degrees, everywhere else in the world where attempts to invest capitalism with positive moral functions have been made.

We have to accept that the market system, while exceedingly robust when left to itself, rapidly becomes sick and comatose once you try to force it to do things contrary to its nature. The more you interfere with its mechanism by imposing moral objectives, the less efficiently does it work. Indeed, under a sufficient weight of moral obligation, it will seize up altogether.

How do we escape from this difficulty? How can we practice capitalism, with its unrivaled capacity to produce wealth, within the framework of a society which recognizes moral objectives?

To put it another way: Is it possible to harness the power of market-capitalism to moral purposes without destroying its dynamism? That is the real, practical question which faces humanity. And I often wish our Christian theologians would address themselves to it, instead of categorizing capitalism as intrinsically evil, as so many of them thoughtlessly do.

I do not pretend the problem is easily solved. On the other hand, I think it is defeatist to regard it as inherently insoluble. It is a mistake to try to turn capitalism itself into a moral animal. But I think it is possible to run it in tandem with public policies which make use of its energy while steering it in a moral direction.

Let me indicate six primary ways I believe this can happen:

The first, and in some ways the most important, is to provide the capitalist economy with an overall legal framework which has a moral basis. This can only be done if we accept that a fundamental object of the just society is to establish, so far as is humanly possible, absolute equality before the law. Equality of wealth is a utopian fantasy whose hopeless pursuit usually leads to tyranny. But equality before the law is a reasonable objective, whose attainment — albeit in an imperfect form — is well within the reach of civilized modern societies.

Moreover, this form of equality responds to a strong human need. For whereas few of us really want equality of possessions, or believe it possible, all of us want fairness. The notion of a fair society is an attractive concept, and one toward which progress can undoubtedly be made.

Moreover, equality before the law is a necessary adjunct to the competitive nature of capitalism. The end result cannot be equality, but from start to finish the rules must apply equally to all.

What do we mean by equality before the law? We mean that the law must make no distinction of birth or caste, race or color, sex or tribe, wealth or poverty. It must hold the scales of justice blindfolded. In a curiously paradoxical way, the capitalist system similarly makes no distinction about the nature of men and women. Hence for the law so to distinguish is a gross interference with the market mechanism and makes it less efficient.

Equality before the law reinforces the natural power of capitalism, so that in this case moral purpose and wealth-creation go hand in hand. Inequality before the law takes many forms, some of them grotesque, as in the Republic of South Africa or the Soviet Union, some more subtle. Even in advanced Western societies like the United States, where the principle is well understood and established, the ability to buy more law than your neighbor is a ubiquitous source of inequality. In no society that I know is full equality before the law established in practice, and I do not say that it can be realized perfectly and overnight anywhere. But it is one form of equality which can be broadly attained without destructive side effects, and systematic progress toward it is an essential object of any society which wishes to place capitalism in a context of justice.

The second way is for society to endorse the related but broader concept of equality of opportunity. It is one of the miracles of the human condition that all of us, however humble, possess talents of one kind or another, waiting to be of service. The notion that all of us have something to contribute is God-given and stands right at the heart of the Judeo-Christian tradition. The range of talents is as infinite as hu-

man variety itself, and the society which is swiftest to identify them in each, and put them to use, will certainly be the most efficient (as well as just). Here again, capitalism and justice pursue the same ends, for capitalism thrives on meritocracy — one of the prime functions of the market is to identify and reward objective merit — and it creates wealth most rapidly when all obstacles to equality of opportunity, social and historic as well as purely legal, are removed. This aspect of equality is a vital element in the moral legitimization of capitalism, for an economic structure in which every man and woman, in theory at least, can progress from the lowest to the highest place, cannot be held to be intrinsically unjust.

Quality education must be available

I say "in theory." What about in practice? It is unrealistic to talk of equality of opportunity without taking drastic measures to make high-quality education generally available to those who can profit from it. I know that in practice we are not going to get a society where all will be able to benefit from the standards of the best schools and colleges.

To begin with, throughout human history the most gifted teachers have always been in limited supply — there are never enough to go around. In any case, the culture, and habits of industry, which parents transmit to their children make absolute equality of opportunity, as an abstract ideal, unattainable. But it is one thing to concede the difficulties; quite another to accept the present system of educational inequality, which exists to some degree in every country in the world. There is no one single way, in my view, more likely to make capitalism morally acceptable, to anchor its function in justice, than by giving the poor access, by merit, to high-quality education, of every kind and at every stage. And it is implicit in this objective that we identify merit, of every variety, at the earliest possible age — another respect in which we tend to be woefully inept.

More education means more wealth

Of course, to educate the poor, according to aptitude, to the highest standards, is enormously expensive. But it is the great merit of capitalism that it does produce wealth in immense quantities for such necessary purposes; and the more people we educate efficiently, the more wealth the system will produce. The matter is increasingly urgent for, as capitalism advances itself, it demands ever more refined skills at each level. If training in them is not available for all who can benefit, inequalities —

both within societies and between them — will increase instead of diminishing, and the moral credentials of the system will inevitably be subjected to growing challenge.

We have, in short, to educate ourselves into justice, and to do so with all deliberate speed.

But we must not stop at access to education. We must see to it that there is more readiness of access to the capitalist system itself. I believe that the notion of "democratic capitalism" is a genuine one, and that its realization, to some degree at least, is within our grasp. There are many ways in which it can be brought about. Some are old. Some we have only recently discovered. Some are yet to be devised.

In the last half-century and more, we have found that to take an industry into public ownership in no way democratizes it — quite the contrary. Nationalization, whether in the form of a monolithic public corporation, as in the old British system, or through so-called "workers' control," as in Yugoslavia, for example, merely puts the business firmly into the hands of bureaucratic or union elites, or indeed both. But it is now possible, as has been found in Britain and elsewhere, to float public corporations so that they become the property of millions of small stockholders.

Let us not kid-ourselves that this conveys control of them to the masses. But it does spread ownership widely, and it does introduce an element of mass financial participation in the system which is new and healthy. It gives millions of humble, ordinary people a sense that they are no longer entirely victims of the system: that they act, as well as are acted upon; that to some small degree they have a stake in society. It is a source of pride, of reassurance, even of security, and it is thus morally significant.

Democratic capitalism also lends itself to the old but unrealized idea of co-ownership by giving the work force easy entry into the purchase of stock. Over 90 percent, for instance, of those who work for the recently privatized British corporation British Telecom now hold stock in the firm — thus bridging the destructive and needless chasm which separates owners and workers and which promotes class warfare. In any great capitalist enterprise, the community of interest between those who own, run and work for it is, or ought to be, far greater than any conflict of interest.

Access of workers to stock is the surest way of demonstrating this fundamental truth, which is often obscured by political sloganizing. This is particularly important in industries where the work is hard and dangerous and the profits high, such as mining and offshore oil extraction, to give two obvious examples.

Democratic capitalism, and especially the worker-stock-ownership aspect of it, serves to refute one of the gravest charges against capitalist practice — that it is, by its very nature, exploitative.

Stock ownership is not, however, the only or even the best way in which the notion of democratic capitalism can be pursued.

One of the most important but least-understood disadvantages of the so-called "mixed economy" is that, in its inevitable drift to corporatism, it involves tripartite deals between government, labor unions and large-scale capital.

Such deals invariably leave out small business. In Britain, for instance, it is only since we have begun to dismantle mixed-economy corporatism that the needs of small businesses, and equally important, of those wishing to start them, have played any part in the formation of government policy. Why have we been so remiss? Now that most of the world is necessarily turning its back on the soil, to start one's own business has replaced that fundamental human urge to farm one's own land — it is an expression of the natural creativity in man, and as such a profoundly moral impulse.

Sensible, practical assistance in helping people to set up their own businesses, and to ensure a climate of fairness in which they operate, is the best way to promote, at one and the same time, equality of opportunity, democratic capitalism and, not least, the efficiency and acceptability of the system as a whole. There is almost invariably a strong correlation between the number of small business starts and soundly based economic expansion. So here again the interests of justice and the process of wealth-creation coincide.

Popular access to capitalism at a national level has its international counterpart in access to markets.

My fifth point is that the vigorous promotion of free trade is an important way in which capitalism is legitimized morally. Protectionism in any form tends to undermine capitalist efficiency by creating privileged industries, and it is unacceptable morally because it deprives the consumer of the full fruits of the market. It always appears to have advantages for new, small and weak economies — or for old, established ones meeting new and ruthless competition. But in the long term, and often in the short term, too, these advantages are greatly outweighed by the drawbacks.

Equally objectionable are barter deals between states, or deals between states and big international corporations. All these attempts to

escape the rigors of competition invariably produce corruption and fraud, and bring out the worst aspects of both big government and capitalism itself. One might put it this way: International free trade is the global version of equality of opportunity.

Now to my sixth point. Just as equal opportunities within a society are unlikely to become reality without general access to high-quality education, so free trade will not in practice be generally accepted, especially among the poorer countries, until the huge discrepancies between nations in technical and commercial skills are diminished. I do not think that the normal workings of the international market will be recognized as just and reasonable until we narrow this gap, so much more important in the long run than any more obvious gap in living standards or financial resources. Yet here, perhaps, is the best way in which richer nations can effectively help the poorer ones.

Old-style aid is now discredited, and I think rightly so. For certainly, there are few more foolish things than for a rich nation to salve its conscience by transferring cash to the government of a poor one, thus as a rule keeping an inefficient and unpopular tyranny in power. But it is another matter to use our resources to train the disadvantaged masses of the Third World — and indeed the emerging ex-communist world, too — in the skills of market capitalism. By widening the availability of such skills we do many things simultaneously: We benefit the poorer countries by enabling them to compete; we benefit ourselves by making it possible for them to open their markets to us; we strengthen the system by giving it universality as well as fairness, and consumers everywhere find goods cheaper as competition increases. Here again, the process of placing capitalism in a moral context has the additional advantage of adding to its wealth-creating power.

To sum up my case: Doing the right thing morally usually proves to be, commercially, the right thing to do.

However, I willingly concede that there is an important flaw in my argument. And it applies whether one looks at individual societies or at the global community — within nations and between them. However thoroughly one applies the principle of equality before the law, however ingeniously one provides equality of opportunity and universal access to high-quality education, bitter experience seems to show that a great many people remain in deprivation, misery and hopelessness. It is not enough to provide individuals with an exit from this underclass. Its very existence, as a class, perpetuating itself from generation to generation, is or rather seems to be a categorical indictment of the capitalist market system itself.

The market can be made fair

In fact it does not reflect upon the market. The market can be made fair — to give it moral legitimacy it *must* be made fair — but what it cannot be made to do, without wrecking it, is to discriminate in favor of failure. And we have to face the fact that many human beings, in any society, will fail, however fair the rules and however wide the opportunities. There is overwhelming evidence that market capitalism can conquer mass want, and create a very general affluence, anywhere in the world. What we now have to demonstrate is that the societies in which capitalism is the energizing force can cope with the minority problem of failure. It is, in my judgment, the biggest single task our societies face today: a problem which is at one and the same time moral, economic and political.

It is *moral* because we cannot accept, on a permanent basis, the exclusion of perhaps a fifth of society from a life of modest decency. Earlier ages had to reconcile themselves to a permanent mass poverty. We know a solution can be found, and we have an inescapable moral obligation to find it.

It is *economic* because it is waste on a colossal scale. Often up to 50 percent of budgets are absorbed by coping with poverty. And it is not just material waste, but waste of minds and hearts.

It is *political* because the percentage involved is too small to affect change through the democratic process — thus, there is an inherent tendency to resort to violence, often with racial overtones — and a violence which possesses a kind of moral authority all its own.

The solutions tried up to now have invariably been collectivist ones. So they have all failed. I believe we must now turn to entrepreneurial ones and seek to use the problem-solving mechanism of market capitalism, which has never failed us yet, to provide the answers.

We are at the end of one ideological era, the era in which collectivism was tried and found wanting.

One thing history surely teaches is that when old ideas die, others rush in to fill the vacuum. For men and women need ideas as much as they need food and drink. If sensible and creative ideas are not forthcoming, we can be certain that dangerous and destructive ones will emerge to exert their spell.

It is essential that those of us whose roots are still within the Judeo-Christian system of ethics, who value freedom, who strive for the just society, and who recognize the enormous productive potential of market capitalism, should be fertile in ideas in the coming battle for minds. For if we get the ideas right, the opportunities for mankind in the next century are truly almost without limit.

REVENUE RAISERS INCLUDED IN ENERGY BILL (HR 776) AND HR 11

MOVING EXPENSES

HR 776	INCREASE MILEAGE 35 TO 55	211
HR 11	House - cap at \$5,000	3,496
HR 11	Senate - cap at \$19,000	2,210

REPORTING SELLER FINANCE	565
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DENY DEDUCTIBILITY OF CLUB DUES	1,400
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INCREASE EXCISE TAX CFC (in both but stacked)	
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HR 776	645
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HR 11 Senate	291
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EXTEND 45 DAY RULE TO ALL RETURNS	195
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July 15, 1992

[Handwritten signature and initials]

TO: SENATOR DOLE
FROM: SHEILA BURKE
SUBJECT: TALKING POINTS ON BUSH/REAGAN ADMINISTRATION

Attached is a copy of the document that Senator Domenici asked to be prepared which outlines the accomplishments of the 1980's. OMB has a copy and is reviewing the document.

SETTING THE RECORD STRAIGHT

"Facts About the 1980s"

**U.S. SENATE
BUDGET COMMITTEE**
*U.S. Senator Pete Domenici
Ranking Republican Member*

Prepared by Minority Staff

OVERVIEW

The Democrats hope to recast themselves in a Republican image in this election year. By denying the successes of the 1980s under Republican leadership, they hope to lay claim to the principles that helped create those successes – Republican principles such as hard work, opportunity, jobs, and most importantly economic growth, the catalyst for rising national prosperity.

No matter how hard revisionists attempt to cloud recollections, the historical record remains in tact: the 1980s under Republican leadership was a decade of growth and rising prosperity. And, contrary to some assertions, it was also a period in which government met domestic needs.

ECONOMY



The U.S. economy ended the past decade in far better shape than it began.

✓ The 1980's under Republican leadership included the longest peace-time expansion in U.S. history, lasting 7-1/2 years.

✓ Many Americans, especially the younger generation, may not recall the trauma of 18% inflation and interest rates as high as 21% — a hangover from the dismal economic performance of the Carter years.

✓ During the Bush Administration, inflation averaged 4.5%, less than half the inflation during the Carter years.

✓ Most recently inflation has fallen to roughly 3% and, except for a 1.1% rate in 1986, inflation is now the lowest in a quarter of a century.

✓ Unlike a decade ago, those living on a fixed income can now plan their future with confidence.

✓ Interest rates, such as 3.7% on short-term government securities, are now the lowest in two decades.

✓ Mortgage rates are now in the 8% range, half the rate President Reagan encountered in the first year he took office.

✓ Thanks to low interest rates, more people can afford to own a home now than at any time since 1972.

TRUE OR FALSE:

#1 - "The Decade of the 1980's didn't leave us any better off." - FALSE!

● No matter how many times they say it, it just won't wash. The record shows that the 1980s included the longest peace-time expansion in U.S. history, producing 19 million new jobs.

● Beginning with the start of the expansion in late 1982, real Gross Domestic Product rose \$1.1 trillion in the next 9 years, adding nearly one-third to the size of our economy.

● The rise in U.S. GDP was greater than the total level of GDP in Germany. Interest and inflation rates have been cut by half. The U.S. export sector was expanding at a record pace, making us the largest exporter in the world.

● For people this has meant:

➤ real per-capita income and the proportion of the population with jobs at new highs by the end of the decade,

➤ median family income up 11.4% to \$35,353,

➤ real per capita income up a stronger 15.7%,

➤ the unemployment rate reached a 16-year low of 5.3% from a high of 10.7%,

➤ the misery index — the sum of inflation and unemployment — down to 10.1 today from 18.0 in 1981,

➤ poverty rate down to 12.1% from 13.7%

JOBS



Economic growth in the Reagan/Bush era has meant jobs! Since the expansion began more new jobs were created in the U.S. than in all the other major industrial G-7 countries and the rest of Western Europe combined.

- ✓ Since the beginning of the 1980s expansion, 19 million new jobs have been created. Today, 117.6 million Americans go to work every morning, 18% more than 10 years ago.
- ✓ The share of the working-age population with jobs during the Bush Administration has averaged 62.4%, the highest in U.S. history.
- ✓ The employment-population ratio for African Americans during the Bush Administration averaged a record 56%, up significantly from 52.8% during the Carter years.
- ✓ Between 1982 and 1991, employment grew by more than 15% in over 1/2 the states and by more than 5% in 45 states.
- ✓ All major demographic groups shared in the improvement in job opportunities that resulted from economic growth. Between 1982 and 1991, employment of African Americans was up 29%, and Hispanics, a larger 52%.
- ✓ The unemployment rate during the Bush Administration has averaged 5.9%, the lowest of any Administration back to Nixon. In comparison, unemployment averaged 6.5% during the deteriorating Carter years and reached a peak of 10.7% in 1982 just as the 1980s expansion got underway.
- ✓ Job prospects are good in the U.S. relative to other countries because the unemployment rate is relatively low. The average U.S. unemployment rate during the 1980's was the sixth lowest in the world.
- ✓ Six million immigrants came to the U.S. in the 1980's, mainly because the U.S. promises a better life. That is more than in any decade since 1900-1910.

TRUE OR FALSE:

#5 - "The economic well-being of the U.S. is declining." - FALSE!

- Contrary to assertions that U.S. well-being is falling, during the Bush Administration real GDP per capita – the broadest measure of U.S. strength – has been the highest in the world and the highest in U.S. history.
- U.S. GDP per capita was 1st among countries in 1980 and is 1st in 1990. GDP per capita of \$16,231 in Germany and \$17,571 in Japan in 1990 remains well below America's \$21,931.
- The level of GDP per capita during the Bush Administration is higher than any other previous Administration.

#6 - "The economy is in recession and is getting worse." - FALSE!

- The 1990 recession, marked by two quarters of GDP decline, has been followed by 4 straight quarters of positive growth. The economy is now back to its previous peak making this recession one of the shallowest on record, as measured by GDP.
- Home construction has risen 45% since its trough point at the beginning of 1991.
- As a result of increased international competitiveness, U.S. exports during the Bush Administration has grown by more than one-quarter in just a little over 3 years. We have become, once again, the largest exporting nation in the world.

WOMEN AND MINORITIES



Women and minorities in business made significant gains during the 1980s.

✓ In 1982, there were 2.9 million women-owned businesses. By 1987, this number had risen to 4.1 million. In 1990, 5.4 million women owned businesses, and in 1992, the National Foundation for Woman Business Owners projects that 7 million businesses will be owned by women, up 140 percent compared with a decade ago.

✓ In 1988, women-owned business employed about 10.3 million people. This rose to about 11 million people in 1990 - ninety percent as many as the Fortune 500 companies. By 1992, the number of people employed by women-owned businesses is projected to approach 12 million.

✓ African-American and Hispanic unemployment rates, increasing through the 1970s and early 1980s, showed large declines during the expansion. By 1991, African-American unemployment was 7.1 percentage points; Hispanic unemployment was 3.9 percentage points - lower than when the expansion began.

✓ Earnings of women, which stagnated and then declined during the 1970's, increased beginning in 1982. Weekly earnings of female workers grew 18% faster than male earnings, narrowing the wage-gender gap.

✓ Within the white-collar high-paying managerial and professional occupations between 1983, the first year demographic data was compiled, and 1991, African American employment rose 45.5% and Hispanic employment rose 83.7%. In comparison, the increase for all groups was 31.5% between 1983 and 1991.

TRUE OF FALSE:

#3 - "Economic growth during the Bush/Reagan years led to rising incomes and declining poverty." - TRUE!

● Income growth suffered during the weak economic growth years of the late 1970's and recessionary early 1980's. But the strength and longevity of the 1980's expansion helped family incomes rise substantially over the decade.

● Compared to previous Administrations, real median family income averaged a record high during the Bush Administration - \$35,708 per family through 1990, the most recent year recorded. This is 5.6% greater than the average during the Carter years.

● After trending up for 10 years, the poverty rate peaked with the beginning of the 1980s expansion. The poverty rate was 12.1% in 1990, the most recent year tabulated, compared to a high of 13.7% when the 1980s expansion got underway.

● Taking into account in-kind government benefits, the rate was an even lower 9.5% in 1990.

● The proportion of elderly living in poverty has declined significantly and was the lowest on record during the Bush Administration. When in-kind payments are taken into account, the elderly poverty rate was 7.6% in 1990.

"SETTING THE RECORD STRAIGHT:"
Quality Jobs for Americans

RICH VS. POOR



The 1980's provided economic opportunity for all income levels, not just the wealthy.

✓ The expansion helped raise the lowest incomes boosting families into higher income brackets. Tracking the income histories of individual families shows that upward income mobility was the norm.

✓ Of the people making up the lowest fifth of the income distribution in the late 1970s, more than half moved out of the lowest fifth and up the income ladder over the next 10 years.

✓ Upward income mobility was more pronounced at the lower end. Of the people who moved up the income ladder to higher income levels, 6 out of 10 started out in the bottom half of the income distribution in 1977.

✓ The middle class gained. During the expansion, the middle class shrank because more of them moved above the \$50,000 threshold and into the high-income groups — they weren't moving down.

✓ Upward household income mobility is an American strength not a weakness.

TRUE OR FALSE:

#4 — *The rich got richer, the poor got poorer during the Bush/Reagan years.* — **FALSE!**

● According to some assertions, 60% of the income gains went to the richest 1% of the population between 1977 and 1989. But as the Congressional Budget Office, the Treasury, and a recent non-partisan Urban Institute study confirm, that's just wrong.

● Including the Carter years in the data, hurts all income levels and is most devastating to the poorest fifth of families. But incomes turned the corner during the Bush/Reagan years: incomes increased for each and every income level. While high income groups did increase their means during the 1980's expansion, so did all other income levels.

● More importantly, the view that only the rich gained ignores the significant income mobility of families, both, up for people at the bottom and down for people at the top.

● When upward mobility is taken into account, families who started in the bottom of the income distribution in 1977 saw their incomes rise 77% over 10 years. In contrast, those in the top one fifth in 1977 saw their incomes rise only 5%.

● A recent study by the non-partisan Urban Institute concluded:

► "When one follows individuals rather than statistical groups defined by income, one finds that, on average, the rich got a little richer and the poor got much richer."

► "This pattern, however, may be surprising to the general public, which has been led to believe that the poor were literally getting poorer over the last decade or two, and that the incomes of the rich were skyrocketing. That is simply not true."

"SETTING THE RECORD STRAIGHT:"
Investing in Our Children

CHILDREN



Funding for programs designed to assist our nations children have increased, with the emphasis on health, nutrition, education and social services.

✓ The problems facing our children are not the result of diminished Federal spending. President Bush's 1993 budget request for children's programs reflects an increase of 66 percent from 1989 alone. Total funding for these programs was recommended at a level of \$100 billion for 1993.

✓ The Women, Infants and Children special supplemental food program (WIC), renowned as one of the federal government's most cost-effective, has increased its participation of mothers and infants in the program by 275 percent since 1980; WIC funding grew 347 percent from 1980 through 1992, with the President requesting an additional \$240 million for 1993, bringing the annual program cost to \$2.8 billion.

✓ Investment in early childhood education, through Head Start, has demonstrated dramatic savings in averted costs associated with special education, crime and income support.

✓ Funding for Head Start has grown from \$735 million in 1980 to \$2.2 billion in 1992. For 1993, President Bush recommended an additional \$600 million for the program — an unprecedented increase.

✓ Head Start will provide 779,206 children with a year of Head Start before entering grammar school.

TRUE OR FALSE:

- "During the 1980's, funding for programs designed to assist children was reduced." - **FALSE!**

● Over the past 10 years, federal spending on low-income programs, most of which assist children, has grown from \$80 billion to \$153 billion.

● Despite more government spending, the problems facing children have escalated as the structure of the family unit deteriorates.

● Children who live in persistent poverty, the homeless, children growing up in dysfunctional families with abuse or neglect, and children having children are all "at risk" of not becoming healthy, productive adults.

● One-parent families have grown, from 3.8 million in 1970 (12.9 percent of all families) to 9.7 million in 1990 (28.1 percent of all families).

● Twenty-four percent of American children lived with their mothers only in 1990, up from 11.5 percent in 1970.

REBUILDING AMERICA



The past ten years have brought an increase in the federal government's contribution toward rebuilding America.

✓ Contrary to popular impressions, public investment in infrastructure has not been declining. Total public investment in infrastructure in the 1980s grew at 2.2% annually, roughly equal to the growth of the 1960s and greater than the growth of the 1970s.

✓ Since 1989, under President Bush, federal spending for infrastructure has increased a nominal average of 6 percent annually, or 2.7 percent annual real growth.

✓ State and local government investment in infrastructure, which has averaged 70 percent of all public investment over the past 35 years, rose in the 1980s from \$46.8 billion to \$103.5 billion, or 9.2 percent annually.



Economic growth in the 1980's provided enormous benefits to state and local governments.

✓ Rising jobs and incomes resulting from the expansion of the 1980s allowed state and local revenues to grow from \$390 billion in 1980 to \$801 billion in 1990.

✓ State and local government expenditures grew from \$363 billion in 1980 to \$765 billion in 1990.

✓ State and local governments expanded services dramatically during the boom of the 1980s, when revenues were plentiful and the caseloads of income security programs were reduced.

✓ State and local employment continued to rise throughout the 1980s. The number of state and local public employees grew at a rate of 14.7 percent as the country's population grew only 9 percent.

TRUE OR FALSE:

#7 - "The plight of America's cities is the result of "A Decade of Neglect" by the federal government." - FALSE!

- *Federal grants-in-aid to state and local governments has increased from \$88 billion in 1982 to a projected \$184 billion in 1992, with a nominal increase of 50 percent during the Bush Administration alone.*
- *The non-entitlement federal grant programs for state and local governments have done particularly well during the past two years, growing 28.1 percent from fiscal years 1990 to 1992.*
- *Direct federal intergovernmental revenues to cities decreased during the 1980s, but federal assistance to states increased proportionately.*
- *At the same time, state intergovernmental grants to local governments rose 100 percent from 1980 to 1989.*

SETTING THE RECORD STRAIGHT:
Fighting Crime and Drug Abuse

CRIME AND DRUGS



During the past ten years funding for combating crime and waging the war on drugs has been dramatically increased.

✓ Spending on federal law enforcement has grown from \$4.3 billion in 1981 to an estimated \$15.8 billion in 1993 — a 267% increase. This has paralleled a dramatic 22 percent decrease in the national crime rate over the same period.

✓ Since the early 1980's, federal law enforcement agencies have worked increasingly with state and local officials to target inner-city gangs, organized crime, and major drug trafficking operations. President Bush has tripled federal anti-drug assistance, now \$496 million, to state and local governments.

✓ Aggressive prosecution, stiffer sentencing, and federal prison expansion under Reagan and Bush have kept violent offenders off the streets.

✓ U.S. Attorneys continue to aggressively prosecute S&L crooks. Between October 1988 and March 1992, almost 3000 defendants have been charged, 2300 defendants convicted, and more than \$37 million in criminal restitution recovered.

✓ The national drug control budget has grown from \$1.5 billion in 1981 to \$12.7 billion in 1993, an increase of 750 percent!

TRUE OR FALSE:

#7 - "The Bush/Reagan War on Crime is having a significant impact upon illegal drug use in America." - TRUE!

● Use of illicit drugs decreased dramatically in the 1980s. According to the National Institute on Drug Abuse (NIDA) 1991 Household Survey, the number of Americans using illicit drugs dropped from 36.8 million in 1985 to 26 million in 1991. President Bush's National Drug Control Strategy helped cut overall drug use by 13 percent and adolescent use by 27 percent.

● Spending on drug prevention and treatment has doubled under Bush and is up to \$4.1 billion.

● President Bush's "Weed and Seed" initiative spearheads innovative efforts to wed law enforcement operations with programs to support social and economic regeneration in inner city neighborhoods.

● Presidents Reagan and Bush have fought for an enforceable Federal death penalty, including necessary Habeas Corpus reform.

TAXES



During the 1980s, changes in individual income tax rates increased the progressivity of the tax code because rates were reduced for all income levels, with the percentage of decline greater for lower income groups.

✓ Changes in tax policy since 1981 have improved the fairness and efficiency of the tax system by reducing individual and corporate income tax rates, providing incentives for work, saving and investment, and improving tax law enforcement and collection techniques.

✓ Tax legislation has broadened the tax base by eliminating obsolete incentives, curbing tax shelter abuse, and limiting unwarranted tax benefits.

✓ We started the 1980s with sixteen individual income tax brackets and a top individual rate of 70 percent -- now there are three brackets and a top rate of 31 percent.

✓ The zero-bracket amount, which was \$3,400 for a married couple in 1980, has been replaced by a standard deduction amounting to \$6,000 in 1992.

✓ The personal exemption has been increased 130 percent, from \$1,000 in 1980 to \$2,300 in 1992.



Republicans have been successful in reducing taxes for lower-income taxpayers.

✓ The "tax threshold" is a major factor in determining the tax burden on lower-income families. The tax threshold, or the level at which income becomes subject to tax, depends on the personal exemption amount, the number of exemptions, the standard deduction and certain personal tax credits.

TRUE OR FALSE:

"The Republican tax policies of the 1980s and 1990s were key to raising the tax threshold and lowering taxes on lower-income families." - TRUE!

✓ The Republican tax policies of the 1980s and 1990s were key to raising the tax threshold - and lowering taxes on lower-income families.

● Prior to tax law changes enacted in the 1980s, inflation ate away at the individual tax brackets. Taxpayers found themselves paying higher and higher taxes, not because they were any wealthier in a real sense, but because of inflation.

● Inflation reduced the value of the standard deduction and the personal exemption until they were almost meaningless.

● The eroding standard deduction and personal exemption didn't mean too much to the wealthy -- but it meant a lot to those low- and middle-income families struggling to make ends meet.

● Starting in 1989, individual tax brackets and the standard deduction are adjusted annually for inflation. The personal exemption has been adjusted annually for inflation since 1990.

● Between 1977 and 1993, the number of families receiving the Earned Income Tax Credit rose by 143% and the average credit rose more than 300%.

SETTING THE RECORD STRAIGHT:
Republican Economic Programs Work

REPUBLICAN PROGRAMS



Republican proposals to increase savings, investment and productivity are so good, the Democrats are borrowing them!

✓ President Bush must have been doing something right in his budget submissions - Democrats are now "borrowing" his ideas.

✓ Gov. Clinton has advocated enterprise zones, a capital gains exclusion, a research tax credit, and an investment tax credit. President Bush has been pushing those measures for twelve years, first as vice-President, then as President.

✓ Each of President Bush's budgets has called for a capital gains tax cut. Each time it has been stopped by the Democratic majority in Congress.

✓ President Bush wanted to encourage saving by setting up family savings accounts or flexible IRAs. Congress said no.

✓ President Bush has always favored a permanent extension of the research and development tax credit. Congress keeps extending it one or one-and-a-half years at a time, hurting businesses' ability to plan for the future.



Many of the Administration's great programs for change have been blocked by the Democrats.

✓ \$5,000 first time homebuyer's tax credit - a great help which aid with downpayments, create jobs, and spark the recovery. President Bush proposed it, and paid for it. No go, said the Democrats.

✓ Investment tax allowance - a temporary addition to first-year depreciation write-off - could spur investment in equipment and get businesses back on track. Again, stopped by the Democrats.

✓ \$500 increase in the personal exemption. This one the Democrats liked, but they paired a similar tax cut with an increase in the top tax rate - something President Bush vowed he could not support.

EDUCATION



Federal Support for Education increased dramatically during the 1980's.

- ✓ From fiscal year 1980 to fiscal year 1991, federal support for education, increased 59%, from \$34.3 billion to \$54.6 billion.
- ✓ Federal support for education extends beyond those amounts, to include post-secondary education loans. These funds totaled \$11.9 billion in 1991, a rise of 145 percent between FY 1980 and 1991.
- ✓ The U.S. sends 60% of its children to higher education, second only to Canada in the world, and well above the 32% rate in Germany and 30% in Japan. And 51% of the students are women, providing them more opportunities than in Japan (38%) and Germany (26%).
- ✓ The total volume of guaranteed student loans grew from \$4.6 billion in 1980 to \$11.5 billion in FY 1991—an increase of almost 150%.
- ✓ Federal support for elementary and secondary education increased from \$16 billion in 1980 to \$24.4 billion in 1991, a 53% increase over those years.
 - o Federal support for education also comes indirectly through federal tax expenditures. For example, deductions allowed for state and local taxes—major sources of local education funding—on federal income tax returns reduce federal revenues and are known as federal tax expenditures. Estimated federal tax expenditures for education increased over 38% from FY 1980 to FY 1991, from \$13.3 billion to \$18.1 billion.
- ✓ Also during the 1980s, expenditures per student in public elementary and secondary schools rose from \$2,502 to \$5,266—an increase of 110%.



Real educational progress was made during the 1980's by African Americans and other minorities.

- ✓ College enrollment rates of black high school graduates increased from 41.8 percent in 1980 to 52.8 percent in 1989. For all groups combined, college enrollment for high school graduates increased from 49.3% of those graduating to 59.6%.
- ✓ During the 1980s, high school dropout rates decreased for blacks from 19.3% to 13.8%. For Hispanics, the dropout rate in 1980 was 35.2%, declining to 33% in 1988. Programs in President Bush's School Improvement Programs, part of the AMERICA 2000 effort to reach the National Education Goals, seek to continue this trend by increasing the high school graduation rate to 90 percent with its Dropout Prevention Demonstration program—for which the fiscal year 1993 budget request totals \$38,200,000, a growth of 60% over the past five years.
- ✓ During the 1980s, reading proficiency, essential for success in college and the workplace, increased dramatically for 17-year old minority students. For black students, those achieving reading proficiency at "adept" levels—defined as the ability to find, understand, summarize, and explain relatively complicated literary and informational material—increased from 6.7% in 1980 to 25.8% in 1988. For Hispanic students, those achieving "adept" reading levels in 1988 increased to 24.3%, from only 14.9% in 1980.

HOUSING



During the past twelve years a variety of programs have worked to make housing more affordable and more accessible for all Americans.

✓ Through refinancing or mortgage rate reduction, American homeowners have been able to reduce their mortgage payments by as much as \$1,500 to \$2,000 a year, a tremendous savings.

✓ Homeownership opportunities increased during the 1980s. 1990 Census Bureau data indicates that homeownership increased by 13 percent during the 1980s. Mortgage rates are the lowest they have been in 15 years and have steadily declined most of the decade.

✓ During the 80s, homes have become more affordable to buy, especially for first-time homebuyers. The values of homes increased by nearly 54 percent, which made homeownership a good financial investment in the 80s.

✓ Unfortunately much of our federal housing assistance is directed towards day-to-day survival rather than opportunities for self-sufficiency, economic independence, and homeownership. Despite billions of taxpayer dollars devoted to low-income housing, some of the worst housing in America is government-run.

✓ Congress continues to fund the same approaches that have lead to unsafe housing and accelerate the cycle of poverty. People chose to live on the streets rather than occupy public housing units. With nearly 14 percent of our public housing vacant and boarded-up, one would think it was time to try new approaches.

TRUE OR FALSE:

"The Bush/Reagan housing goal has been to provide choices in housing assistance and financing for low and middle income families that lead to home ownership." - TRUE!

● During the 80s, the Administration has tried to look to the future and devise new ways to improve the quality of people's lives through housing opportunities. This is evident by the Administration's strong financial commitment to housing.

● In 1980, the Administration provided housing assistance to 3.1 million low-income families, which increased to 4.4 million by 1990. The Administration's efforts have resulted in 1.3 million more low-income families receiving federal housing assistance, which represents a 42 percent increase.

● Since 1980, federal spending for assisted housing increased by \$9 billion representing an increase of 200 percent. There were no budget cuts, only substitution of programs to try new approaches with shorter contract terms. While it is clear that some low-income housing programs are not working, Congress continues to fund them with scarce federal dollars.

● In addition to the Administration's financial commitment to housing, Republicans have been emphasizing the need to reinvent in the 1990s American values and an old fashioned work ethic that have contributed to America's success and growth.

DRAFTGATE DRAFT

In light of disturbing new information concerning Bill Clinton's draft history, it is more important than ever before for Governor Clinton to come clean with the American people, to tell the truth, the whole truth, about what happened.

As I've said before, Bill Clinton's Draftgate is not about whether he served in the armed forces, served in Vietnam or that he never wore the uniform. Thanks to Bill Clinton's own decision to stonewall this critical issue, he has turned the issue into a major test of his own trust and credibility -- It isn't draft dodging, it's truth dodging. It's the essential test for anyone who claims to be Presidential timber.

And the more and more we see, the more and more it appears that Bill Clinton has a bad habit of playing word games to shade the truth, dodge the truth, conceal the whole truth, or simply tell mistruths. It's his way of rewriting history when the story doesn't finish with a happy ending; it's his way of making the facts disappear when the truth becomes uncomfortable; it's his way of talking around the truth when a straight answer might be embarrassing out on the campaign trail. In other words, when some courageous reporter challenges you to come clean, you simply dodge the truth and draft new facts.

To illustrate this maddening game -- this calculated strategy of double talk -- consider this example: when asked over and over whether he had ever used drugs, Clinton's response was that he had "never broken the laws of my country." What about the laws of his state? What about the laws of another country? The issue, again, wasn't using drugs. The issue was telling the truth. Eventually, Clinton was forced to grudgingly concede that yes, he had once used drugs, albeit in another country.

Today, we have the sworn statement of Col. Eugene Holmes, who temporarily enrolled Bill Clinton in the ROTC in 1969,

exposing Clinton's -- quoting here -- "lack of veracity in purposely defrauding the military by deceiving me, both in concealing his anti-military activities overseas and his counterfeit intentions for later military service."

Overlooked so far by the media is how Col. Holmes statement puts Bill Clinton's letter of December 3, 1969, into perspective. That's the letter in which Clinton thanks Col. Holmes for "saving me from the draft." That's significant, but consider this: Writing of his admiration for Col. Holmes, Clinton also wrote that "In retrospect, it seems that the admiration might not have been mutual had you known a little more about me, about my political beliefs and activities. At least you might have thought me more fit for the draft than for ROTC." Later, Clinton writes he "had no interest in the ROTC program," and "I began to think I had deceived you, not by lies -- there were none," Clinton claims, "but by failing to tell you all the things I am writing now." That's right, Clinton's own letter corroborates what Col. Holmes is saying, that he engaged in purposeful deception to avoid the draft, and only after the fact, is Mr. Clinton willing to even hint at what really happened ~~in~~ ^{VIA} his strange and deceptive word game. So what else has Bill Clinton failed to tell the American people? About what else has he only told us just part of the story?

Clinton has repeatedly denied receiving "any unusual or favorable treatment," and having "no leverage to get special treatment from the draft board." However, this week we learned of troubling new revelations from Bill Clinton's former Oxford schoolmate, Cliff Jackson, who argues that Clinton roped him into an elaborate scheme to pull strings to keep him out of the draft. Mr. Jackson makes some very serious charges, including that Clinton got his induction date postponed. Did Bill Clinton get special treatment? He won't tell you, but his story keeps unraveling. Top Clinton aide Betsey Wright said this week in the Atlanta Journal & Constitution that "A lot of bright young

college guys got special treatment. In that regard, Bill Clinton may have gotten special treatment." But she hastens to add that he didn't get "distinctive special treatment" -- that's her quote, "distinctive special treatment". Distinctive special treatment? Here we go again -- more word games: distinctive special treatment as opposed to just regular old special treatment.

Well, let me tell you someone who did get special treatment, even "distinctive" special treatment: the unfortunate man or woman in Arkansas who had to take Bill Clinton's place in the draft.

Mr. Jackson also claims that Bill Clinton's choices for deferment were not limited to the ROTC, but also included the Army Reserve, the Peace Corps, VISTA and teaching. How does that square with what Clinton told the Los Angeles Times two weeks ago, when he said "I've already told you the only military options that I considered or was offered was the one I had reported to you." Here we go again. By saying "military options," is he trying to exclude non-military options such as the Peace Corps, VISTA and teaching? Does that mean he perhaps "thought" about or was "offered" other options, without actually "considering" them? It's his way of telling the truth without telling the truth.

In April, when asked why he had never been drafted despite being eligible for more than a year, Bill Clinton said "It was simply a fluke I wasn't called and there are no facts to the contrary." We now know that Bill Clinton did receive a draft notice, and according to Clinton's former schoolmate Cliff Jackson, may have received two of them. Two weeks ago, Bill Clinton said "I received a draft notice; it was delayed."

Has anyone figured out what "delayed" means? Delayed by the post office, delayed by a friend, ignored or "lost" ?

It's more word games from Bill Clinton.

Furthermore, does receiving "a" draft notice mean he did not receive any other draft notices? Bill Clinton won't tell you, but top Clinton aide Betsey Wright conceded to the Atlanta

Journal & Constitution this week in a major new admission that she is now "pretty sure there probably was" a second draft induction date that we haven't heard about from presidential-hopeful Clinton. Most Americans will see this one as the "smoking draft notice", the unmistakable smell of a cover-up.

And when is a deferment not a deferment? Just ask the Clinton campaign. In 1978, Bill Clinton said he never received a deferment. The facts now show that Bill Clinton did receive a deferment, but top Clinton aide Betsey Wright, struggling to explain it away, says that "he never used it, never availed himself of it, and didn't consider that he had it," (AP, 9/15/92). Let that one sink in -- "DIDN'T CONSIDER THAT HE HAD IT." That's a nice luxury to have. Let's face it, that's right up there with the old grade school excuse that "the dog ate my homework."

In 1982, the Arkansas Democrat reported that "Clinton said that he never was opposed to the draft." But, Clinton's 1969 letter reveals what he calls, in his own words, his "opposition to the draft," a system he also labelled "illegitimate."

Now the bottomline: In April of this year, Bill Clinton pledged to release all information related to his draft status, saying "I don't want to be in a position of where somebody says, you didn't give us everything you had." Well, Governor, you're in that position. And as uncomfortable as it may be, no matter how much it hurts, it's time to confront this personal political crisis. No more hiding from the media, no more hiding the truth.

That's why it is imperative for Governor Clinton to release each and every document, every notice, every file related to his draft status. In fact, it would be helpful to his own campaign organization, because every time a reporter raises a question about the draft, some Clinton aide either contradicts the candidate or raises more questions instead of answering them.

Above all, Governor, it's time to come clean, to tell the whole truth, to give up the word games, even if it's not your style and not in your Presidential game plan.

If it means facing a critical media in a major no-holds-

barred news conference, or facing the people in your own
"Checkers Speech," by all means do it and do it now.

The American people deserve nothing less than knowing if a
man who wants to be president can look them in the eye and tell
them the truth.

###

ARKANSAS RANKINGS

As governor, Bill Clinton has raised taxes and fees on the people of Arkansas 128 times, and this is what he has to show for it:

ECONOMY

Relevant Arkansas rankings:

- 47th in per capita personal income (Bureau of the Census)
- 15th of 16th in the South for average hourly earnings in manufacturing (1990 — Regional Economic Analysis)
- Last in the South in manufacturing wages for durable goods — almost 30 cents an hour behind Mississippi (1990 — Regional Economic Analysis).

Since Bill Clinton regained office in 1983:

- Personal income in Arkansas grew slower than the national average every year but one. (Arkansas Personal Income Handbook)
- The unemployment rate in Arkansas has remained above the national average every year but one. (Bureau of Labor Statistics)

CHILDREN

The Center for the Study of Social Policy:

- 45th out of 51 in the well-being of children (down from 43rd in the last year alone)
- 45th in low-weight babies
- 49th in child death rates
- 47th in teen violent death rate
- 45th in single teen births
- 47th in children in poverty
- 42nd in percent of children in single-parent families.

CRIME

U.S. Department of Justice (FY88 figures):

- 50th in total state and local justice system per capita expenditures
- 50th in per capita spending on police protection
- 48th in per capita corrections spending.

A 1991 state study found that Arkansas state inmates serve, on average, between 6 and 18 months in prison, regardless of their original sentence. Almost no inmate serves a full sentence. A second report released in 1991 (by the Arkansas Crime Information Center) showed the state's violent crime increased by 95% since 1981.

EDUCATION

Univ. of Arkansas found the state ranks:

- 47th in the nation in per capita state and local spending for education
- 5th highest in the nation in adults considered illiterate
- 43rd in the nation on per capita spending for higher education
- 49th in teacher pay.

Other statistics tell the same story:

- In 1979, the state ranked 20th of 28 states that primarily use the ACT college entrance test. Ten years later, the state fell to 25th.
- Three out of every four high school graduates must take remedial courses as college freshman, twice the national average.

Clinton blames his persistent low standing nationally on decreases in federal spending. But between 1983 and 1992, federal spending for Arkansas education increased 34.5 percent.

ENVIRONMENT

The Institute for Southern Studies ranks Arkansas 50th, worst in the country, for the quality of state environmental initiatives. Other relevant rankings:

- 50th in miles per gallon of gas consumed
- 42nd in percentage of polluted rivers and streams
- 47th in per capita toxic chemical releases to surface water
- 42nd in per capita toxic chemical releases to air
- 41st in per capita ozone depleting emissions
- 43rd in per capita spending on air pollution.

HEALTH CARE

The *New York Times* (4/2/92) described Clinton's attention to state health care issues as "occasional." Statistics support this:

- One in four Arkansans has no health insurance, compared to one in seven nationwide.
- Between 1980 and 1988, the percentage of low birth-weight babies increased by more than 7.8%; nationally, the increase was only 1.4%.

PETE DOMENICI
NEW MEXICO

United States Senate
WASHINGTON, DC 20510

To: Bob Dole

July 22, 1992

From: Pete Domenici

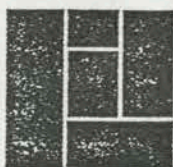


Subject: Rich vs. Poor

Attached is the Urban Institute study I spoke about.
Be sure to read the paragraphs I've highlighted.

6/15

TO: Eric
Rick
Bob
David
John S.



POLICY BITES

A bimonthly opinion piece on economic and social issues

No. 13

The Urban Institute

June 1992

Is U.S. Income Inequality Really Growing? Sorting Out the Fairness Question

Isabel V. Sawhill and Mark Condon

It is widely believed that U.S. incomes have become more unequal since the early 1970s. This conclusion is based on studies by the Ways and Means Committee, the Congressional Budget Office, a variety of think tanks, and countless academics. Each has used Census data on incomes to measure how different income groups have fared over the past decade or two.

Liberal politicians cite these studies as evidence that American society is becoming more stratified, that the rich are getting richer and the poor poorer. Conservatives respond that these analyses are flawed—arguing that they fail to recognize the tremendous individual mobility hidden within the averages.

This debate on what has been happening to the distribution of income is not new. At issue is not just the facts but how to interpret the facts. Here we seek to clarify the debate by looking at data on a sample of individuals whose incomes were tracked between 1967 and 1986. Based on our analysis to date, the story is as follows:

1. If we rank all the jobs or other income-producing opportunities in society from highest to lowest, we find a growing gap between the top and the bottom. The rewards for success

or good fortune have gotten larger and the penalties for failure or bad luck have grown correspondingly.

The absence of any upward trend in income mobility suggests to us that lifetime incomes are becoming more unequal.

2. When society's reward structure is highly unequal it puts a big premium on individual income mobility. As long as there is a lot of mobility, an unequal reward structure is not necessarily a problem. If there is little mobility, then it is. Individual mobility in the United States falls somewhere between "a lot" and "a little." Many people do move from one income stratum to another. When one follows individuals rather than statistical groups defined by income, one finds that, on average, the rich got a little richer and the poor got much richer over both the decades for which we have data.

3. Lifetime incomes may still be getting more unequal, however. If the reward structure is

getting more unequal, lifetime incomes are going to be more unequal unless growing wage inequality is offset by more mobility between jobs or other income-earning opportunities. We find no evidence that individual mobility increased between the 1970s and the 1980s.

Thinking about Fairness

Joseph Schumpeter, a famous economic historian, once likened the distribution of income to rooms in a hotel—always full but of different people. In a hotel in which all the rooms are alike it doesn't matter which one you occupy. But in most hotels, as in most societies, some rooms are exceedingly luxurious, others are quite shabby, and which room you end up in matters a lot. Fairness requires that you have an opportunity to change rooms. For example, if you started out occupying a shabby room when you were young but graduated to increasingly more luxurious rooms as you got older, this could be considered perfectly fair. Or if everyone took turns spending a few nights in the room with the bedbugs and the lousy mattress, no one would complain. Over a sufficiently long period of time (say, a lifetime) everyone's experience would be

TABLE 1: Distribution of Individuals in Final Year by Quintile Location in Starting Year

Family Income Quintile in 1967	Family Income Quintile in 1976					
	Bottom	Second	Third	Fourth	Top	All
Bottom	11.2	5.2	2.0	1.3	0.3	20.0
Second	4.1	6.0	5.0	3.0	1.7	19.8
Third	2.5	4.2	6.0	4.9	2.4	20.1
Fourth	1.3	2.9	4.7	5.9	5.2	20.0
Top	0.9	1.8	2.1	4.8	10.4	20.0
All	20.0	20.0	19.9	20.0	20.0	100.0

Family Income Quintile in 1977	Family Income Quintile in 1986					
	Bottom	Second	Third	Fourth	Top	All
Bottom	10.6	5.0	2.2	1.3	0.8	20.0
Second	4.3	6.0	5.1	2.9	1.7	20.1
Third	2.9	3.8	5.9	4.8	2.6	20.0
Fourth	1.0	2.9	4.3	6.8	5.0	20.0
Top	1.2	2.2	2.5	4.1	10.0	20.0
All	20.0	20.0	20.0	20.0	20.0	100.0

Source: Urban Institute.

Note: Sample limited to adults, ages 25 to 54 in starting year.

the same. But, if the best rooms were always reserved for the privileged few and the shabby ones for the unfortunate many, some might question the fairness of the arrangements. What about the hotel we call the U.S. economy?

How Inequality Is Usually Measured

To measure inequality, the U.S. Census Bureau each year looks at the hotel registry to see how many people are occupying each type of room. It ranks all families by their annual incomes from highest to lowest and sorts them into statistical groups. The 20 percent of all families with the lowest incomes are called the bottom quintile, the next 20 percent of families are called the second quintile, and so on . . . until all families are sorted into one of five quintiles. Later this year, the Census will re-rank all these families (as well as any new ones) according to their 1991 incomes. To test whether economic inequality has risen, the av-

erage income of each quintile in 1990 will be compared to the average income of that same quintile in 1991, even though each quintile may now contain a different set of individuals. These are the kinds of calculations that have been used to conclude that "the rich are getting richer and the poor poorer" over the last decade or two.

We need other data to track the process of who is changing rooms or quintiles. The University of Michigan's Panel Study of Income Dynamics (PSID) has followed a representative group of households since 1967. From this survey, we have selected all individuals, ages 25 to 54, in two years, 1967 and 1977, and then calculated what happened to their incomes over the subsequent decade (1967-76 and 1977-86, respectively).

The Hotel Now Has a Greater Variety of Rooms

If, following the standard method of measuring inequality, we rank

all these PSID individuals into income quintiles in each year and then calculate the percentage increase in average income for each quintile, we get a similar pattern to what one sees in Census data. Like the Census data, the PSID data suggest that after growing between 1967 and 1976, the average income of the bottom quintile declined between 1977 and 1986. In both periods, the average income of the top quintile grew rapidly.

What has caused this growth in income inequality as conventionally measured? Most analyses have shown that the main cause is the growing inequality of earnings. Although the tax system is a little less progressive than it was in the past and the safety net somewhat frayed, these changes have not been as important as the increasing gap between the wages of higher-paid and lower-paid workers.

Put simply, the economy now offers people jobs that vary more widely in terms of quality and pay. The economy increasingly resembles a hotel with luxury suites for some and substandard rooms for others, rather than a roadside motel with rooms of uniform quality. The less equal distribution of earnings, in turn, appears to be related to technological changes and international competition, which have put a high premium on education and experience. The rewards for both have been increasing since the late 1970s. Unless income mobility has increased in ways that offset these structural changes in the economy, lifetime earnings may become increasingly unequal.

People Swap Rooms Often

Individual mobility in the United States is substantial (Table 1). The white cells in the table show the proportions who did *not* change

quintiles. For example, the number in the top left hand cell of the table represents the proportion (11.2/20 or 56 percent) of individuals in the bottom quintile in 1967 who were still in that quintile in 1976.

In both decades, some three out of five adults changed income quintiles. A little less than half the members of the bottom quintile moved up into a higher quintile, and about half the members of the top quintile fell out of that quintile. In both periods, more than two-thirds of those who started out in the middle quintile had moved up or down into a different quintile by the end of the period.

If mobility between income classes is a glass that is half full, it is also half empty. A little more than half the occupants of the bottom quintile had not risen out of that quintile ten years later, and half of the occupants of the top quintile remained there ten years later.

Nonetheless, the mobility that did occur ensured that over both decades, on average, the poor (here defined as those in the bottom quintile at the beginning of each decade) grew much richer, by 72-77 percent. The rich (defined as those in the top quintile at the beginning of the decade) grew a little richer, by 5-6 percent. (See Table 2).

These figures will not surprise the experts. Any significant mobility should lead to the same pattern. People who start at the bottom have nowhere to move but up, and are likely to do so as they become older, gain work seniority, and earn higher incomes. People who start at the top, some of whom may be there because of temporary sources of income like capital gains, have nowhere to go but down. This pattern, however, may be surprising to the general public, which has been led to believe that the poor were literally getting poorer over the last decade or two, and that the incomes of the rich were skyrocketing. This is simply not true.

TABLE 2: Average Family Incomes of Individuals by Their Quintile Position in Starting Year (1991 dollars)

Quintile	Average Family Income of:		Percent Change
	1967 Quintile Members in 1967	1967 Quintile Members in 1976	
Bottom	\$14,544	\$25,082	72
Second	26,979	41,018	52
Third	35,900	48,492	35
Fourth	46,115	57,839	25
Top	72,772	76,915	6
All	39,262	49,869	27

Quintile	Average Family Income of:		Percent Change
	1977 Quintile Members in 1977	1977 Quintile Members in 1986	
Bottom	15,853	27,998	77
Second	31,340	43,041	37
Third	43,297	51,796	20
Fourth	57,486	63,314	10
Top	92,531	97,140	5
All	48,101	56,658	18

Source: Urban Institute.

Note: Sample limited to adults, ages 25 to 54 in starting year.

People Do Not Swap Rooms more Often than in the Past

While mobility was substantial in both periods, U.S. mobility has not been increasing over time (see Table 1 again). In fact, there is little discernible trend in mobility at all. The slight changes between decades are too small to be meaningful, and depend to some extent on the age limitations of our sample.

The absence of any upward trend in income mobility suggests to us that *lifetime* incomes are becoming more unequal. The reasoning is straightforward. The bad jobs in our economy are now paying less in real terms than they did in the early 1970s and the people who hold them aren't moving out of them with any more frequency than before. We can expect their lifetime incomes to be lower than those of people who held these jobs in the past.

The good jobs in our economy are now paying a lot more than they used to and the people who hold them don't appear to be moving out of them with any more frequency than before. Their lifetime incomes will be a lot higher than the lifetime incomes of their earlier counterparts. The result, then, of higher pay at the top and lower pay at the bottom is greater lifetime income inequality.

To partially test this hypothesis, we averaged the total income of each individual in our sample over two ten-year periods, 1967-76 and 1977-86, and then ranked all individuals into five quintiles in both periods (Table 3). By averaging income over a ten-year period, we take account of each person's mobility over that period and get a more permanent measure of income. Looked at over a 10-year period, the average person had a family income of \$46,260 in the first decade and \$52,125 in the second decade. In the second pe-

TABLE 3: Real Family Incomes of Individuals Averaged over 10 Years (1991 Dollars)

Quintile	Average Annual Family Income		Percent Change
	1967-76	1977-86	
Bottom	18,293	18,579	2
Second	32,785	34,084	4
Third	42,636	46,082	8
Fourth	54,100	60,594	12
Top	83,486	101,286	21
All	46,260	52,125	13

Source: Urban Institute.

Note: Sample limited to adults, ages 25 to 54 in starting year.

riod, however, there was greater inequality. This finding suggests that lifetime incomes are becoming more unequal. So, while the annual income distributions may mislead the public about how much mobility occurs, they do accurately reflect an increase in inequality in the U.S.

A Room of One's Own Is Not Necessarily a Room with a View

While many individuals swap rooms over time, the degree of mobility in the U.S. economy is not sufficient to ensure everyone a room with a view. Although the poor can "make it" in America,

and the wealthy can plummet from their perches, these events are neither very common nor more likely to occur today than in the 1970s.

Indeed, since the rooms at the top have an increasingly nice view, while the ones at the bottom have deteriorated, some will conclude that the hotel we call the U.S. economy has become a more class-stratified place to live. Others will argue that the lure of a better view is what induces people to try to change rooms in the first place.

Whether the notion of class is half full or half empty depends on your perspective.

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Published by

The Urban Institute
2100 M Street, N.W.
Washington, D.C. 20037
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Design: Barbara D. Willis



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