

TO: Senator Dole
FR: Kerry

RE: Aspen Briefing Book

The following information is contained in the Briefing Book:

1. **CONFERENCE BACKGROUND:** Schedule, list of participants, background on MR. Forstmann.

2. **ECONOMY:** Memo from David Taylor on Clintonomics and Republican economic principles.

3. **FEDERAL RESERVE:** Memo from David Taylor containing latest information and talking points on interest rates.

4. **FOREIGN POLICY:** Background from Randy on Haiti, North Korea, Russia, and other general foreign policy issues.

5. **GATT:** Talking points from Rolf.

6. **GRIDLOCK:** Your New York Times op/ed on bi-partisanship

6. **HEALTH CARE:** July polling numbers from Teeter relating to health care; September health care polling numbers from Fabrizio/McLaughlin; Memo from Haley Barbour; copy of your floor statement on anniversary of Clinton speech; Copy of Congressman Dingell's letter to President Clinton

7. **JOHN KERRY:** Background information on Senator Kerry

8. **NEW HAMPSHIRE SPEECH:** Copy of speech prepared for New Hampshire GOP; contains some good political rhetoric. (The New Hampshire speech contains material on the recent Wirthlin "right track/wrong direction poll." I noticed reading the McLaughlin transcript that McLaughlin said the figure was 80% saying America is on the wrong track. That is incorrect. The actual results were 20% saying America is heading in the right direction, and, as stated in your New Hampshire speech, 70% saying America headed in the wrong direction, and 10% no answer or no opinion.

9. **POLLS:** Information from recent Times Mirror poll on new political landscape.

10. **SEVEN MORE IN '94:** Background from this weeks NRSC event.

11. **SUPERFUND:** Memo from Barbara on future of Superfund

12. **TELECOMMUNICATIONS:** Memo from David Wilson with latest information on telecommunications.

CONFERENCE BACKGROUND

September 14, 1994

Dear Senator Dole:

We are looking forward to
seeing you in Aspen. Enclosed is
our brochure, guest list and the
agenda for the weekend.

Regards,

Betsy

Betsy McFadden

Enclosure

Elizabeth H. McFadden

Forstmann Little & Co. Conference
Aspen, Colorado
Thursday, September 22nd to Sunday, September 25th

Thursday, September 22, 1994

Afternoon: *Check in at Hotel Jerome*

7:30 PM: *Dinner and entertainment by Art Buchwald, Hotel Jerome*

Friday, September 23, 1994

8:30 to 11:15 AM: *Political roundtable with panelists Tim Russert, Paul Gigot, Anthony Lewis, and Bill Kristol moderated by Charlie Rose, Hotel Jerome*

12:00 PM: *Lunch and talk by General Colin Powell, Aspen Club*

Afternoon: *Golf tournament begins. Various athletic and sightseeing opportunities available.*

7:00 PM: *Dinner at the Caribou Club and performance by Kathy Mattea at the Wheeler Opera House*

Saturday, September 24, 1994

8:30 to 10:00 AM: *Discussion with Senator Robert Dole and Senator John Kerry on current political issues moderated by Charlie Rose, Hotel Jerome*

10:15 am to 11:15 AM: *Economic discussion with Chair of the Council of Economic Advisors Laura Tyson moderated by Charlie Rose, Hotel Jerome*

12:00 PM: *Lunch and talk by George Shultz, Pine Creek Cookhouse*

Afternoon: *Closing day of golf tournament and various athletic and sightseeing activities available*

7:00 PM: *Dinner at Hotel Jerome and performance by Penn and Teller at the Wheeler Opera House*

Sunday, September 25, 1994: Check out and departure

FORSTMANN LITTLE & CO.

Theodore J. Forstmann
General Partner
Forstmann Little & Co.

Deborah Hagerty

Nicholas C. Forstmann
General Partner
Forstmann Little & Co.

Lana Wolkonsky

Steven B. Klinsky
General Partner
Forstmann Little & Co.

Maureen Sherry

Daniel F. Akerson
General Partner
Forstmann Little & Co.
Chairman and CEO
General Instrument Corporation

Karin

Winston W. Hutchins
General Partner
Forstmann Little & Co.

Diane

Wm. Brian Little
Special Limited Partner
Forstmann Little & Co.

Judy

Dr. Paul G. Stern
Special Limited Partner
Forstmann Little & Co.

Patricia

Raynard D. Benvenuti
Associate
Forstmann Little & Co.

Thomas H. Lister
Associate
Forstmann Little & Co.

Amanda

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Aldila, Inc.

Jane

John F. Barlow
President and COO
Safelite Glass Corp.

Gail

Edward Bazinet
Chief Executive Officer
Department 56

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Vice Chairman of the Board
Gulfstream Aerospace Corp.

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William W. Boisture, Jr.
Sr. Vice President
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Nancy

Fred A. Breidenbach
President and COO
Gulfstream Aerospace Corp.

Sue

Chris Davis
Chief Financial Officer
Gulfstream Aerospace Corp.

Lee Rosenberg

Frank M. Drendel
Chairman, President and CEO
Comm/Scope, Inc.

Susan Engel
President and COO
Department 56, Inc.

Art Eisenberg

Richard S. Friedland
President and COO
General Instrument Corporation

Shelley

Vincent Gorguze
Chairman and CEO
Aldila, Inc.

Gloria

Paul Gralnick
President and CEO
Grimes Aerospace Corp.

Joyce

Roger G. Pollazzi
Chairman and CEO
The Pullman Company

Maureen

Garen Staglin
Chairman and CEO
Safelite Glass Corp.

Shari

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Acquavella Art Galleries

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President
Mexican Investment Board

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General Instrument Corporation

Mary

Dr. John Seely Brown
Corporate VP and Chief Scientist
Xerox Palo Alto Research Center

Susan Haviland

Art Buchwald
Syndicated Columnist

James E. Burke
Retired Chairman and CEO
Johnson & Johnson

Didi

Francis P. Carolan
Partner
Deloitte & Touche

Barbara

Gustavo A. Cisneros
President and CEO
Cisneros Group of Companies

Sanford R. Climan
Strategic Planning & Corporate Affairs
Creative Artists Agency

Lori

Edward Crane
President
CATO Institute

Kristina

Marina (Forstmann) Day
Therapist/Artist

Paul Livadary

Livio D. (Desi) DeSimone
Chairman & CEO
Minnesota Mining and Manufacturing Co.

Lise

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R-Kansas

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Bristol-Myers Squibb Company

Rusty

Paul Gigot
Columnist
The Washington Journal

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Chairman and CEO
Gleacher & Co., Inc.

Annie

Alan (Ace) C. Greenberg
Chairman
Bear Stearns & Co., Inc.

Kathy

H. Wayne Huizenga
Chairman and CEO
Blockbuster Entertainment Corp.

Lionel R. (Ray) Johnson
Executive Vice President
The Vanderbilt Agency

Eileen

Robert F. Johnston
President
Beacon Hill Financial Corp.

Diane

Marvin Josephson
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ICM Holdings Inc.

Robert M. Kavner
New Media
Creative Artists Agency

Allyson

Senator John Kerry
D-Massachusetts

Donald Klosterman
Chairman
NTN Communications, Inc.

William Kristol
Chairman
Project for the Republican Future

Susan

John J. Langdon
President
The Topps Company Inc.

Anthony Lewis
Columnist
The New York Times

The Honorable Andrew L. Lewis
Chairman and CEO
Union Pacific Corporation

Bette Bao Lord
Chairwoman
Freedom House

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Ogilvy & Mather

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Perot Systems Corp.

Marlene

Dru Montagu
FL & Co. Limited Partner

Ms. Elissa (Forstmann) Moran

Malcolm

John H. Myers
Executive Vice President
General Electric Investment Corp.

Jody

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Chairman and CEO
AGT International Inc.

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Chairman
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Host
"The Charlie Rose Show"

Amanda Burden

Tim Russert
Moderator, "Meet The Press"
Washington Bureau Chief - NBC News

Dorothy Sammis

Ambassador Rockwell Schnabel
Co-Chairman
Trident Capital, L.P.

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John Sculley
Sculley Communications, Inc.

Arthur T. Shorin
Chairman
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Beverly

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Akin, Gump, Strauss Hauer & Feld, L.P.

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Hilton Sucherman Productions Incorporated

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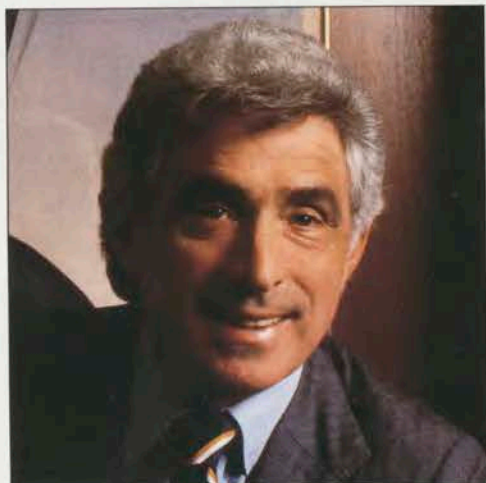
Diane

Dr. Laura D'Andrea Tyson
Chairman
Council of Economic Advisors

The Hon. John V. Weber
Empower America

The Money Doesn't Do It

An Interview With Theodore Forstmann,
Founding General Partner, Forstmann Little & Co., New York



Theodore Forstmann

EDITORS' NOTE

Theodore Forstmann's instincts for what works in today's business environment do not betray him.

A graduate of Yale University and the Columbia School of Law, the founding general partner of Forstmann Little & Company is an active proponent of economic policies that foster growth and individual opportunity. In the '80s he was

COMPANY BRIEF

Forstmann Little & Co., a New York-based investment partnership, is one of the nation's leading acquirers of businesses. Since it was founded in 1978 the firm has acquired 18 companies for an aggregate purchase price of approximately \$10 billion. Of this, \$3.8 billion was supplied from its own partnership funds.

The firm employs capital from two types of partnerships: one solely for equity purchase, the other for the purchase of subordinated debt and equity. Unlike most investment firms, Forstmann Little acts as a principal in all its transactions. Forstmann Little & Co. has acquired such notables as Dr Pepper, Topps, Gulfstream and General Instrument.

an outspoken opponent of the excesses of the junk bond market, a view that was proven to be painfully correct. He has recently advocated the elimination of the capital gains tax and predicted the recent credit crunch, positions that have made him one of the leading spokespersons for pro-growth policies.

Most recently, Forstmann has joined the International Rescue Committee in its relief efforts in the former Yugoslavia. He has organized food, clothing and equipment donations to the war-torn Bosnian city of Mostar and the refugee camps near Zagreb. Currently, he is funding special medical care for injured children at Zagreb's Children's Hospital.

In this interview Forstmann discusses his new chairmanship of Gulfstream Aerospace Corporation, the private investment industry, and how money isn't what brings him satisfaction.

You spent over two hundred million buying Gulfstream. Some say this was a gutsy move. How risky was this acquisition?

We've actually invested \$650 million, if you count debt and equity. But as the saying goes, risk is in the eye of the beholder. The secret to our success is that we look for deals that are perceived to be risky but really aren't. General Instrument was thought to be a very risky deal, but we made \$2.5 billion on our investment in under three years.

There is some risk with Gulfstream. We've had it for three years, and I don't think we started handling it right until the last six months. We've changed the entire top management, creating an office of the chairman, which includes me, Fred Breidenbach, Gulfstream's president and COO, and Tom Bell, who joined us as vice chairman from Burson-Marsteller, where he was vice chairman and COO. We've also brought in Bill Boisture, formerly president of British Aerospace Corporate Jets, as senior vice president, to strengthen our marketing, sales and service organizations, and Chris Davis, a 17-year veteran

of General Electric, as CFO. We have a very high-quality organization. All the work is worth it with Gulfstream because we begin with the fact that we have the best product in the world.

So now you're the chairman of Gulfstream as well as a senior partner of Forstmann Little. How do you find the time to do both?

When Forstmann Little buys a company, we own it. We've owned nineteen different companies, and I've always been involved with what we own. Two years ago, before Gulfstream, I was very active in General Instrument. But don't be fooled by my Gulfstream title. It is a unique company. The planes don't sell in the thousands – we sell twenty-five or thirty new ones a year, and it's a one-on-one process. So when I make these calls, it's helpful to be called chairman.

I've been very involved in recapitalizing Gulfstream's business, which is going well, and I find the whole process to be a lot of fun. When we took over General Instrument it had some good businesses, but they were pretty mundane. But we saw some new prospects for growth. We had to invest time to find the right people to make it work better. It's like painting a picture.

When Allen Paulsen, founder of Gulfstream, retired, the company lost a great personality and a one-man sales force. Now you've taken his place. How have you shaken up Gulfstream?

We're developing Gulfstream V, a whole new product, which will be in a whole new category. This jet will be able to fly 6,500 miles non-stop, New York/Tokyo, and a lot of other amazing city pairs. And instead of discontinuing the previous product as Paulsen used to do, we're going to continue to make the Gulfstream IV for travelers who don't need the V's capabilities. We also plan to start selling our used Gulfstream III models, which we'll market as our value item. The III is a great deal – it's faster, bigger and can travel farther than the latest Challenger, the 601.

■

...you
don't make
things great
by negative
action.

■

And they're trying to market the 601 against our IV. So when I'm talking to potential customers I tell them if they really want to save money they should get a III. Even though it's used, it's still superior to the newest Challenger, and it'll save them anywhere from \$6 million to \$9 million. If we do things right, we'll be a much bigger, more profitable company.

In the past fifteen years Forstmann Little has acquired only eighteen companies and to date sold fourteen and realized returns on all of them. What are you going to buy next?

I don't know. It's interesting that you use the word "only," though, because in one sense the use of that word is very appropriate. I think that other people with my capital would have bought many more companies. I was always much more interested in having none that didn't work.

You're sitting with \$1.8 billion in committed capital now, so you're looking to invest. Are you looking in the U.S. or overseas, and in what field?

We're looking in the U.S. and overseas in any field. We've owned everything from bubble gum companies to Dr Pepper to Gulfstream. The international markets for Gulfstream are growing exponentially. Up until now Gulfstream really only made an effort to market its product in the Middle East. So that's one of my priorities. We hope to cover the international market thoroughly. To aid us in this we're currently establishing an international advisory board.

With your reputation as a business expert, and given the many companies that you deal with, do you rely on your contacts to sell corporate jets?

I have the contacts, but I don't need them to sell a Gulfstream. These jets are

something fancy. They buy it because they want the best.

But don't Canadair and Falcon Jet make the same claims?

Canadair's selling point is that their planes are cheaper, and they argue that you don't need a Gulfstream. They've done fairly well with that strategy, especially since Gulfstream's marketing has recently been rather passive. But the other companies never claim they're as good because they can't. It's not so. Their jets don't go anywhere near as far. They are slower and smaller. Canadair makes the claim that its planes are wider, and they are. They're eight inches wider, but they're nowhere near as big. But Canadair is a good marketer. It's done a good job. One of the reasons I got involved with Gulfstream was to level out the playing field.

Also, potential buyers for Gulfstream will increase over the next decade because they are not being given new reasons to fly commercially. Flying commercially used to be adequate, but I don't think it is anymore. Maybe in the distant future it will reemerge, but in the intermediate term I think many of these people will buy smaller planes. And we'll get our share - I think the trends are working for us.

With the Gulfstream V priced at \$30 million, wouldn't it pay to buy a larger used plane and redo the inside?

You're talking about a 757 or a 767, which would mean much more money in the all-around cost. Our analysts have researched that. If we priced it much higher, you'd be correct. But with the operating costs coming in much higher, I don't think people are terribly interested in buying used 757s.

How about a certain foreign corporate jet manufacturer partially funded by its government whose country involves its jets in foreign trade deals? "You get the tanks if

It's unfortunate competition, and it is tough to compete with, but it's one of the prices you pay for being in a free-market, unsubsidized country. We still manage to do very well. The only real long-term competition we're going to have is the Global Express, which has done a very good job of marketing itself for the last three or four years, while Gulfstream has been rather passive. I would not want to invest my personal funds in a plane that is going to come out, at best, two years behind us. Provided all goes well, it will do the same thing that the Gulfstream V does, but it will cost three times as much to develop.

How does Gulfstream compare on safety?

Gulfstream jets have the best safety record, and I think that's a key reason for our success. It's also an attitude. You feel the safest if you're in a plane that you feel is the best.

You're flying to Asia soon in a Gulfstream. Do you own one, or does Gulfstream itself have a corporate plane that you use?

Forstmann Little owns a GIV. We previously owned a GII and a GIII that we bought because when I was spending a great deal of time traveling I would visit three or four cities a day to raise money from pension funds. So I needed a private plane. And I am a really lousy flier. So I asked a friend of mine, a pilot from Texas, what I should get. He told me I had to get a Gulfstream - that it is the best and the most reliable plane. So I did.

What's your management style - are you rough, or do you try to play fair? You've got to have a certain style to be able to do what you've accomplished.

I don't think I'm a rough guy at all because you don't make things great by negative action. Often when we buy a company we have to cut at the white-collar level - and sometimes quite substantially.

...you
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having a superior idea and executing it, which is historically what we've done. I think I'm a kind of perfectionist. I have been told that I set the bar very high. But I try never to ask someone to do a task I wouldn't do myself. In truth, I'm not very good at delegating because I get a kick out of doing things myself.

Forstmann Little doesn't fall into a normal corporate pattern. Before Gulfstream I never had any title at all. Frankly, I think I have pretty good ideas, but I also like to be wrong, because that's when you learn something.

Do you find many executives have fallen into patterns in which they get a little too comfortable and lose productivity?

I think it's what capitalism is all about. When something is successful enough and reaches a certain critical mass, whether it's business or government, people are going to try to maintain the status quo. It's human nature. I've seen it in mature companies, and even in Forstmann Little. When we first started, I used to order the food for partners' dinners. Obviously, that kind of decision is now delegated to someone else. That's what happens. As a company grows, more people are needed to do things, but the type of person that comes in is less entrepreneurial. So we try to have a few good, highly motivated people who really want to learn and succeed.

What motivates you to do this kind of work. What do you get out of it?

Money doesn't do it for me. I like ideas. I could have done other things besides this, but I had ideas, and I like the competition. I like what I'm doing. I'm going to have some fun at Gulfstream. I had fun at General Instrument and at Dr Pepper. It's fun doing all these things. It's about building things, competing and winning. And I like to win. I don't think how much money you have is important. I don't think money is important. I think what's important is what you do with yourself.

I was being interviewed in the '80s by a reporter who was thinking about writing a story about me. She said, "I've got to tell you something. I finally figured out why I could not put two and two together with you. You don't belong in business. You don't think like a businessman." If she meant the stereotypical beady-eyed guy who thinks about money all the time, that's definitely not me.

You recently visited the war-torn Bosnian city of Mostar, where you organized the donation of over 220 tons of winter clothing, equipment, medicine and special food supplies. What compelled you to do this? Is it a way of repaying society for your own good fortune?

I suppose, although a lot of what I ended up doing was pretty spontaneous. One of my very good friends is Yugoslavian, and he talks to me often about the horror of the war. It was when I saw the horrible photo of the children slain in the bus in Sarajevo, however, that I called my friend and told him I wanted to go over there.

When we got there I met the President of Croatia, but we had trouble communicating since he was speaking Serbo-Croatian and I was speaking English. I think he thought I was there on business, because he got very frustrated every time I mentioned the refugee camps. Finally, he said, "Well, if you're so interested in refugees, I suggest you go and see how one is made." So he provided us with security and we flew to Split, Croatia. We were met by a nun – the security refused to accompany us further – who drove us into Mostar. We were greeted by shelling and gunfire; we were told the Serbs could sense that we were foreigners. We met the Mayor of Mostar, an extraordinary man who had managed to repel the Serbs' invasion. I asked him what he needed for his people and he gave me a list, but I could tell he didn't think I would return. But I took it as a real challenge, and when I came back to New York I rounded up the supplies and provisions and flew back

within a month. I don't think he could quite believe it.

With every entrepreneur there seems to be one character, one moment, one great crisis that was the turning point or inspirational moment of his life. What was yours?

It was when my father died. I realized then that I had to make it on my own. It's the best thing that anyone can learn, anyhow. In fact, it wasn't until my fiftieth birthday party, when people were giving toasts and I had to get up there and respond, that I really understood the influence of my mother and father. I spoke about my life and career and said it was my parents who were the primary influence, particularly when it came to knowing the difference between right and wrong. I hadn't been nearly as aware of this until that moment.

What's the most important characteristic for a leader?

The ability to lead. To have this you must have standards you believe in that don't change. Whatever you might say about Ronald Reagan – like him or not, and I happen to like him – nobody can say he wasn't a leader. He planted the flag out there and said, "This is where I am going, and I'll attempt to lead you people there." He was against big government, communism, high taxes – and his beliefs remained constant.

My greatest professional crisis had to be the credit expansion of the '80s. I knew the inflated prices, the hostile takeovers, the ridiculous fees were immoral and wrong for the country. I knew we would pay for it. Literally nobody agreed with me. They were all making too much money.

Finally I came to a point where I myself really doubted. But since I knew I wasn't going to change, I asked my colleagues what they felt. They told me that although they wouldn't have taken the same stand initially, I had convinced them. I had convinced them and they were behind me. That was a great moment for me. ●

FORTUNE

CORPORATE PERFORMANCE

GENERAL INSTRUMENT

HOW A HIGH-TECH BET PAID OFF BIG

Get a pencil—a green one, for envy. On September 30, Forstmann Little, the leveraged-buyout firm, sold just over five million shares of stock in General Instrument for \$51 each. This was the third time Forstmann had cashed in since acquiring GI, which makes cable and satellite TV equipment, in August 1990: There was an initial public offering (22 million shares at \$15) in June 1992, then a secondary offering (8.6 million at \$30.50) last March. Before underwriters' fees, the buyout partners have realized \$850 million—and still own 19.3 million shares worth \$1 billion. That's \$1.85 billion from an investment of \$182 million in three years, enough to rank GI as one of the biggest LBO moneymakers ever.

That's not the best part. General Instrument, a mid-dling-muddling conglomerate four years ago, has become an American high-tech champ—not the sort of transformation usually associated with LBOs. GI was the first company to demonstrate all-digital high-definition television, a feat that blew Japan out of the HDTV race. And GI may be a big winner in the great convergence of the TV, computer, and phone industries. The company's most familiar product—the converter box that rests on cable subscribers' TVs—increasingly looks like it is where the electronic superhighway will enter the home. Says CEO Daniel Akerson, who in August left the presidency of MCI to lead GI: "The square foot on top of your TV may be the most valuable real estate in this industry"—and GI has 60% of the market.

There was nothing inevitable about this success. Faced with a genuine crisis in its business, GI refused to take a safe route to a com-

fortable profit. Instead it chose a risky path, pursuing a promising technology, and now stands to win big—an example worth remembering when the leader of a famous financially straitened technology company has averred that vision is the last thing his outfit needs.

In the late 1980s, at the frenzied climax of the takeover drama, Theodore Forstmann played Hamlet: a little hesitant, a little moralistic. He attacked junk bonds and warned against reckless leverage. Instead of selling junk, he insisted that investors in his deals put up subordinated debt along with equity.

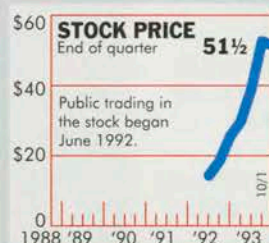


Forstmann (left) and Akerson see GI's set-top cable TV box blossoming into much more.

Safer than stock, but paying less interest than junk, the subordinated debt was a way to draw patient capital into what is often a quick-bucks game. As Forstmann says today: "Committing money is a very meaningful act. It is the truth."

In spring 1990, Forstmann learned that GI might be for sale. When he and partner

GENERAL INSTRUMENT Chicago



■ The lofty P/E reflects GI's leveraged history. On an operating basis, the P/E is about 20, reflecting fast-growing sales to cable and satellite broadcasters.

SALES (latest four quarters)	\$1.2 billion
Change from year earlier	Up 24.5%
NET PROFIT	\$33.2 million
	N.A.
RETURN ON EQUITY	10.4%
TOTAL RETURN TO INVESTORS	157.0%
6/10/92-9/30/93 (annual rate)	
PRICE/EARNINGS MULTIPLE	93.6
DIVIDEND YIELD	None

Steven Klinsky peered inside, they saw what buyout specialists like—gems in a mixed bag. Amid divisions that ranged from defense electronics to pari-mutuel wagering systems, all competing for attention and capital, was a solid producer of telecommunications gear: Jerrold Communications (maker of those cable boxes); Comm/Scope, the largest supplier of cable for cable TV systems; VideoCipher, which controlled the market for scramblers of satellite TV signals.

But money is truth, and this deal would require a lot of truth. Forstmann fretted. Then one foggy June night Klinsky drove to Forstmann's house in East Hampton, New York. He demanded: "If we're not going to buy this, what will we buy? It has everything we said we wanted when we raised money." He spread papers on a table. "Lay these numbers against your rhetoric." By August a huge, friendly LBO was done: \$1.53 billion, of which \$182 million was equity, \$600 million subordi-

nated debt, and \$750 million bank loans.

A great deal began to happen all at once. Noncore assets went on sale; eventually GI shed businesses with annual sales of nearly \$400 million. Forstmann hired a seasoned CEO who was unafraid of technology and knew Washington, where key TV-industry decisions would be made: Donald Rums-

CORPORATE PERFORMANCE

feld, former Secretary of Defense and Gerald Ford's White House chief of staff, who ran G.D. Searle, the drug company, from 1977 to 1985.

Meanwhile, GI's technology was getting hot. In June the company claimed a breakthrough in all-digital high-definition TV. Digital HDTV had seemed far off because the vast amount of data encoded in moving images would overwhelm the circuits of any affordable system. GI researchers, looking for ways to improve satellite broadcasting, discovered a way to cut the data flow using digital compression, which strips signals of redundant information—an unchanging blue sky in a TV scene, say. The Federal Communications Commission, which was almost ready to pick among (mostly Japanese) proposals for an HDTV standard based on analog technology, agreed to give GI a chance to show that its digital idea worked.

Just one problem: Business was collapsing. Caught in a credit crunch, cable TV companies, GI's largest customers, cut back capital spending. Not counting businesses slated to be sold, GI's revenues fell 14% in its first year under Forstmann Little control. That jeopardized the cash flow GI needed to meet loan covenants with its banks.

Rumsfeld did what he had to do. GI cut \$65 million in annual overhead, mostly by shedding staff and management layers. (Today, including clerks, secretaries, and a temp, 23 people work in GI's Chicago headquarters.) It cut inventories; to cut inefficiency, it instituted crash quality-control programs in its factories.

The next obvious place to cut was R&D. Though GI had outflanked the Japanese, it faced two rich new rivals in HDTV—a Zenith-AT&T alliance and a group that included NBC, Philips, and Thomson—both of which made digital HDTV discoveries. Forstmann's original figures showed R&D was dispensable: Investors could quadruple their money in five years with no help from new technology.

Yet the hope was to boost R&D, because GI was looking at what seemed like real opportunity. Even before HDTV was ready for market, video compression would transform



GI's San Diego center manages all scrambled satellite TV feeds in North America.

TV. Cable companies could use it to offer ten times more channels, including premium and pay-per-view programs. GI equipment would compress the signals at the point of transmission, and GI boxes would decompress them in consumers' dens. The next generation of equipment would bring interactive shopping, games, and video-on-demand—making that set-top box the on-ramp to the information highway. How could some damn loan keep you from pursuing that vision?

RUMSFELD recalls: "It was a dilemma. We were ahead of the curve on video compression and HDTV. But they were costing money, sucking up the time of our top technical people, just consuming it. The banks were very much in our lives, demanding enough cash flow to meet our loan covenants." Rumsfeld felt the dilemma keenly: He had \$2.8 million of his own money, all borrowed, invested in GI.

Rumsfeld made the call you'd expect from an executive who qualified for FORTUNE's inaugural list of America's toughest bosses: He met the existing R&D budget and raised it a third. In subsequent months, GI's cash flow covered its interest payments by a scant 1.56 to 1, uncomfortably near the 1.50-to-1 ratio the banks required. GI might not have squeaked through without ferocious cost management and Forstmann's subordinated debt, which cost 1.5 percentage points less in interest than the bank debt and required no repayment of principal till 2001. Says Forst-

mann: "We walked through the valley of the shadow of death."

Early last year, cable company spending began to come back; in March, GI engineers gave the first broadcast demonstration of all-digital HDTV. Forstmann took the company public three months later; with the proceeds and cash from asset sales, GI paid two-thirds of the bank debt.

Rarely has virtue been so amply rewarded. The R&D yielded results. New cable boxes with digital decompression won a million-unit order from cable giant Tele-Communications Inc. Meanwhile, nudged by the FCC, the digital HDTV rivals forged a "grand alli-

ance," agreeing to build compatible systems, refrain from suing each other, and share royalties.

Last spring, Rumsfeld decided his job was done. His wallet fat—the pretax gain from his stake is about \$23 million—Rumsfeld, 61, wants to return to public life. Says Forstmann: "We're now a high-tech company with a strong balance sheet, which isn't the same as a leveraged, middling-tech company." Once again, the owners could choose to harvest or to plant; once again they chose the future.

The young man hired to do the planting, Daniel Akerson, 45, joined MCI when it was about the size GI is now and helped it grow tenfold. He has no experience in the TV industry; he doesn't even have cable. But he does have faith in the notion that strategic alliances will win in the telecommunications revolution. In April, GI joined with Microsoft and Intel, the reigning princes of computerdom. Next year they expect to offer a new kind of set-top box that combines most of the functions of a cable converter and a computer—the next big step toward connecting the electronic interstate to the living room.

GI's huge installed base of cable boxes and dominance in satellite scrambling give it hard-to-dislodge advantages as the highway is built. An entente of Motorola, Kaleida (an IBM-Apple venture), and Scientific-Atlanta, the No. 2 maker of cable boxes, will compete fiercely. Akerson wouldn't be surprised if AT&T or others attacked. Unfazed, he says, "I like complicated situations." He'd better.

— Thomas A. Stewart

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ECONOMY

September 21, 1994

EVALUATING CLINTONOMICS

FACT: President Clinton inherited an economy that was already in recovery.

OBSERVATION: The fact that the economy remains relatively strong today despite higher taxes, more regulations, more mandates, a weaker dollar, higher interest rates, and the threat of a government takeover of the nation's health care system is more a testament to the strength of our free enterprise system than to anything President Clinton has done.

When evaluating Clintonomics, the key question to ask is this: will these economic policies strengthen the American economy in the long run?

DON'T FORGET:

- Was \$11 billion of porkbarrel spending needed to boost our \$6 trillion economy in early 1993? Senate Republicans believed that the President's so-called stimulus plan was nonsense, and we defeated it.
- Was a massive \$255 billion tax increase needed to cut the deficit? A year ago, President Clinton successfully persuaded enough Democrats in Congress to pass his budget plan without a single Republican vote.
 - Republicans offered an alternative budget that would have cut the deficit without raising taxes. Had our plan passed, I am convinced that we would have built on the recovery with more growth, more jobs, more investment, a stronger dollar, lower interest rates and a stronger economy than we have today.
 - Last year, President Clinton cited declining long-term interest rates as evidence that the financial markets had confidence in his budget plan. But, look a closer look at the facts shows that since his budget was adopted, the average interest rate on a 30-year fixed mortgage increased from about 6.9% a year ago to almost 8.7% last week. Long-term interest rates are now higher now than when Bill Clinton was elected or when he took the oath of office.
- Adoption of the North American Free Trade Agreement (NAFTA) was a major accomplishment, but remember NAFTA was initiated by a Republican president, negotiated by a Republican president, and adopted with more Republican than Democrat votes in both houses of Congress. Since then, President Clinton has had an opportunity to establish his own record on trade. We have seen a disturbing pattern of confrontation and retreat that has backfired -- undermining world

confidence in America's economic leadership, threatening relationships with our major trading partners, and contributing to the dollar's decline in foreign exchange markets.

- This year, the Clintons focused their attention on health care, endorsing several plans to turn America's health care system -- one-seventh of our economy -- over to the federal government. If enacted, the 1,443 page, 14 pound Clinton-Mitchell-Kennedy bill would initiate the greatest expansion of social spending in our nation's history -- providing taxpayer-financed subsidies to more than 100 million people -- more than the current Social Security, Medicare, and Medicaid programs combined.
 - Republicans endorsed a commonsense health care reform plan. The Dole-Packwood bill would provide all Americans with access to health care coverage that is affordable, portable and secure. It would solve all of the heart-rending problems the President and Mrs. Clinton described on their bus tour. It would prevent insurers from canceling policies, from charging people more when they are sick, or denying coverage because a member of your family is ill. It would give individuals more choice by giving them the option to set up medical savings accounts. It would provide targeted subsidies to those in need who currently lack health insurance. And, it does all of these things without job-killing mandates, without new taxes, and without turning the health care system over to the government.
 - Every member of Congress agrees that universal coverage should be a goal. We all agree that there are problems in America's health care system. But, we should not forget that our system is still the best in the world.
 - The choice boils down to this: Should we adopt the Clinton plan and overhaul the system that works for the vast majority of Americans and risk destroying hundreds of thousands, perhaps even millions of jobs in the process, or should we try to expand coverage and control costs by building on what works in the current system.

REVISED DRAFT - 7/26/94

REPUBLICANS SEEK A STRONGER ECONOMY, MORE OPPORTUNITY, AND A BRIGHTER FUTURE FOR OUR CHILDREN

THE REPUBLICAN PARTY IS DIVERSE, BUT THERE ARE KEY PRINCIPLES WE ALL SHARE:

- **A market economy works best when individuals and businesses have the freedom to make decisions for themselves.** Freedom, opportunity, sound money, and individual responsibility are the primary building blocks for strong, sustained economic growth with low inflation. Policies which allow American ingenuity and innovation to flourish will give U.S. workers and businesses the best chance to compete and win in world markets.
- **Government cannot tax, spend, or mandate America into prosperity.** There are several legitimate roles for government -- like providing for the national defense and helping those unable to help themselves -- but government is no cure-all. Government is too big, and it costs too much.

THAT IS WHY REPUBLICANS SUPPORT AN ECONOMIC PROGRAM THAT WOULD:

- **Create opportunity for all Americans -- regardless of race, creed, sex, or color.** Government policies should seek to 1) help businessmen and women create good jobs at good wages for all Americans who are willing to work; 2) encourage entrepreneurial initiative and reward hard work; 3) improve access to affordable capital; and 4) ensure that American workers remain the most productive in the world by revamping our educational system.
- **Restore incentives to work, save and invest by reducing marginal tax rates.** Allowing taxpayers to keep more of their hard-earned money will give them more control over their own futures and make them less dependent on government hand-outs.
- **Give American businesses and workers the freedom to compete in world markets** by working to open new markets to U.S. products and eliminate barriers to trade both at home and abroad.
- **Reduce burdensome, intrusive, unwieldy government regulations** that stifle entrepreneurial innovation and limit the ability of American businessmen and women to create new jobs in the private sector.
- **Reduce the size of government.** We want to make government leaner and more efficient by limiting its scope, improving its cost-effectiveness, and turning to the private sector for solutions to problems.
- **Cut spending first to reduce the deficit.** The runaway growth of Federal spending threatens to undermine the American dream for our children and our grandchildren. Republicans want to cut the deficit and save the taxpayers money by 1) controlling the growth of entitlement spending; 2) streamlining the Federal bureaucracy; and 3) eliminating, phasing-out or privatizing those government programs that don't deliver enough bang for the buck.

FEDERAL RESERVE

September 23, 1994

FED'S INTEREST RATES

The Fed's policy-making arm, the Federal Open Market Committee, is scheduled to meet September 27th. After the August rate hikes, the general consensus was that the Fed would probably raise interest rates again this year, but not before the November elections. Now, an interest rate hike in September or October has become an even-money proposition. Given that several CEOs from financial institutions will be in the audience, you may be asked to predict what the Fed may do.

Background material and some suggested talking points are listed below.

SUMMARY OF 1994 FED ACTIONS

<u>Date</u>	<u>Discount Rate/a</u>	<u>Federal Funds Target Rate/b</u>
2/4	No change (3.0%)	Raised 0.25% to 3.25%
3/22	No change	Raised 0.25% to 3.50%
4/18	No change	Raised 0.25% to 3.75%
5/17	Raised 0.5% to 3.5%	Raised 0.50% to 4.25%
8/16	Raised 0.5% to 4.0%	Raised 0.50% to 4.75%

/a The discount rate is the rate at which banks can borrow from the Fed. It is set by the Fed.

/b The federal funds rate is the overnight rate at which banks lend each other short-term money. It is influenced by the Fed.

TALKING POINTS:

- I don't want to speculate on day-to-day changes in interest rates any more than I would want to predict daily moves in the stock market. The important thing is that the Fed should base its decisions on the economic data, not political considerations.
- The goal of monetary policy should be to promote long-term growth with low inflation. No one wants to see inflation eat away at the life savings of older Americans. No one wants to see mortgage rates back up where they were in the Carter years.
- The Federal Reserve must continue to look forward. Remember the late 1970s, we had double-digit inflation and mortgage rates in the 16 percent range. Under those circumstances, the Fed was forced to take drastic action to get inflation under control. We had to go through a recession to wring inflation out of the economy. No one wants that to happen again. Small moves now can help avoid more drastic actions later, keep inflation in check, and actually help prolong the recovery.

FOREIGN POLICY

FOREIGN POLICY UPDATE (9/23/94)

HAITI

NATURE OF ARISTIDE

McLaughlin is very anti-Aristide (he premiered the now famous video of Aristide speaking favorably of necklacing). He is likely to press you pretty hard on your views. While there is much more to the wisdom of U.S. policy in Haiti than the nature of Aristide, the issue is clearly important. The issue is not, as some Democrats claim, that Aristide won 67% of the vote in December 1990. That fact does not mean Aristide deserves reinstallation on the backs of American troops. After all, people (and ideas) not worthy of support can win significant popular support -- Hitler and the Nazi party in the early 1930s, Zhirinovsky and the LDP in Russia, David Duke in Louisiana, etc. Winning an election does not make one a small "d" democrat. If Aristide's vote percentage matters, so does his record of governance. In his 7 months (February-September 1991), there were many instances of non (or anti) democratic behavior. The major charges against Aristide, include:

Inciting mob violence: Through speeches and example, Aristide incited so-called "popular justice," including necklacing (called "Pere Lebrun" in Haiti after a local tire merchant). Pro-Aristide mobs necklaced opponents, including the Reverend Sylvio Claude, founder of the Haitian Christian Democratic Party. Aristide agitated for a life sentence for Pierre Lafontant -- aided by crowds brandishing tires -- even though Haitian law does not permit more than 15 years. In 1986, Aristide was quoted as "marveling at the justice of the people" after they butchered and burned former policemen of the Duvalier regime.

Murder: Lafontant was murdered on the night of the coup, reportedly on orders of Aristide. Pro-Aristide police have been implicated in the murder of 5 students in Port au Prince. Implicated in the same murder and subsequent cover-up is a Colonel Cherubin, now Aristide's choice to head the new police. Cherubin has already been recruiting police from Haitian refugees in Guantanamo.

Popular democracy: Aristide governed with disdain for Haiti's Constitution, which contains greatly separated powers under the post-Duvalier document (written to restrain a strong executive). For example, Aristide appointed justices to the Supreme Court and Ambassadors without consulting the Senate. Pro-Aristide mobs also intimidated the parliament when they met to vote on censuring Aristide's Prime Minister; numerous deputies were captured and beaten. Some observers conclude that had the censure motion been voted on, the coup may never have occurred.

Ideology: Aristide is a liberation theology advocate -- the view that Catholicism should be used as a revolutionary message to raise the masses out of poverty. This view, and Aristide's inciting of rebellion, is what got him defrocked from the Salesian order in 1988. Aristide is anti-capitalist, and very anti-American; many in the Aristide camp absurdly blame Haiti's 1991 coup on the U.S. Aristide has referred to himself as a Haitian "Robespierre," the infamous executioner and radical of the French Revolution. All this led to tremendous

tension with the Catholic Church in Haiti; pro-Aristide mobs burned the Vatican Embassy, and paraded the Papal Nuncio naked through the streets of Port au Prince in 1991. Aristide only issued a tepid apology.

U.S. OCCUPATION POLICY

There is currently a ferocious fight between the Defense and State Departments over changing the rules of engagement in Haiti. The same day Clinton says we will not be the police force in Haiti, 1000 military police are sent to Haiti. It was also announced that American forces will intervene if they witness life-threatening beatings by Haitian authorities. This is a formula for disaster -- American soldiers need clear guidance, not vague instructions demanding very difficult judgement calls which trained police officers often wrestle with. The reaction to CNN footage illustrates the ever-changing nature of this administration's foreign policy -- if there is a hunger strike, change Haiti policy; if Haitian police beat a crowd, deploy more troops and change the rules of engagement. U.S. forces are also dependent on cooperation with the Haitian military and police -- making them potential adversaries with ad hoc changes in the ground rules because of one incident is foolhardy. It is also a classic example of the "mission creep" which led to the Somalia disaster.

TALKING POINTS

RETURN OF ARISTIDE

- U.S. POLICY HAS WRONGLY MADE THE FOCUS OF DEMOCRACY THE RETURN OF ONE MAN -- A MAN WHO HAS NOT ACTED DEMOCRATICALLY.
- ARISTIDE AND HIS HIGHLY PAID ADVISERS HAVE CALLED THE SHOT SINCE LARRY PEZULLO WAS FIRED IN APRIL -- WITH DISASTROUS RESULTS.
- TO OCCUPY HAITI WITH THE PURPOSE OF IMPOSING ARISTIDE DOES NOT MAKE SENSE FOR U.S. POLICY.
- TO RELY ON THE RESULTS OF ONE ELECTION OF ONE MAN AS THE ONLY PART OF DEMOCRACY IS SHORT-SIGHTED.
- A DEMOCRATIC PARLIAMENT WAS ELECTED WITH ARISTIDE, BUT HE REPEATEDLY IGNORED IT DURING HIS RULE. AND THE CLINTON ADMINISTRATION HAS IGNORED IT THROUGHOUT THE CRISIS.
- THEY WROTE TO THE 4 LEADERS OF CONGRESS ON JULY 1, 1994 URGING A PEACEFUL, NEGOTIATED SOLUTION. 45 DEPUTIES ALL ELECTED IN THE SAME ELECTION AS ARISTIDE.

If pressed about whether to support his return:

- ARISTIDE SHOULD NOT BE ALLOWED TO RETURN UNTIL HE DEMONSTRATES A COMMITMENT TO DEMOCRACY -- CALLING ON THE PARLIAMENT TO VOTE AMNESTY, REJECTING NECKLACING, GETTING RID OF HUMAN RIGHTS VIOLATORS AROUND HIM, SUPPORT FOR PARLIAMENTARY ELECTIONS, ETC.

OCCUPATION POLICY

- THE MAKINGS FOR DISASTER ARE PRESENT IN HAITI: AN AD HOC CHANGE IN THE MISSION BASED ON TELEVISION FOOTAGE IS REMINISCENT OF SOMALIA.
- OUR POLICY IS SO FLAWED BECAUSE NO ONE IS LOOKING AT THE REAL SITUATION. THE ADMINISTRATION SHOULD HAVE FOLLOWED UP THE CARTER MISSION WITH A FULL POLICY OVERHAUL.
- THERE HAS BEEN NO PROGRESS ON LIFTING THE EMBARGO, AN APPARENT VIOLATION OF THE CARTER AGREEMENT.
- THERE HAS BEEN NO PROGRESS IN GETTING PARLIAMENT TOGETHER TO VOTE ON AN AMNESTY -- THE STICKING POINT IN GOVERNORS ISLAND.
- ONCE AGAIN, WE HAVE DEPLOYED AMERICAN FORCES WITH AN UNCERTAIN AND EVER-CHANGING MISSION, INTO A STRIFE PLAGUED SOCIETY WHICH WE DO NOT UNDERSTAND

NORTH KOREA

US-North Korean talks in Geneva (August 12) only resulted in a joint statement which papered over differences. Talks resume on Friday, September 23.

The North Korea (NK) nuclear crisis began when NK refused to allow inspections to allow the world to determine the nature of past nuclear activities. Since that time the US has:

- 0 Agreed to bilateral discussions without South Korea.
- 0 Begun discussions on "liaison offices" leading to normalization.
- 0 Offered to arrange financing for light-water reactors to replace NK's current nuclear reactors.
- 0 Deferred military reinforcement out of concern for NK's sensibilities.
- 0 Started and then stopped pursuit of international sanctions (after the Carter mission).
- 0 Offered to facilitate storage of North Korean plutonium in Russia.
- 0 Essentially dropped a demand to learn about past diversion of plutonium (which may have already been used to produce nuclear weapons).

In that time, North Korea has:

- 0 Ejected International Atomic Energy Agency (IAEA) inspectors.
- 0 Removed 8000 fuel rods from its reactor in defiance of the international community, and destroying evidence of past plutonium reprocessing.
- 0 Threatened to engulf South Korea in a sea of fire.
- 0 Tested ballistic missiles to intimidate South Korea and Japan.
- 0 Refused to consider special inspections required under the Non-Proliferation Treaty (NPT) it signed in 1985.
- 0 Refused to freeze activities at the Yongbon (5 megawatt) facility.
- 0 Demanded German or Russian (rather than South Korean) light water reactors.
- 0 Refused to resume talks with South Korea as promised.

In the (August) Geneva agreed statement, North Korea offered only to "freeze" its 2 reactors under construction, and would not discuss the 5 megawatt reactor (the only operating nuclear facility). In follow-on "technical" talks, North Korea raised inflated demands, and opened issues already thought closed by the U.S.

The U.S. approach has, properly, been concerned with the very real threat of cataclysmic confrontation on the Korean Peninsula. However, the guiding principle appears to be concede now in hope of averting catastrophe later. You are likely to be pressed on whether you would support military action to halt North Korea's nuclear program. North that South Korea recently expressed great concern that it was being ignored in the US-NK dialog.

TALKING POINTS

- FUTURE HISTORIANS WILL MARVEL AT THE AMOUNT OF TIME AND ENERGY SPENT ON HAITI AND SOMALIA -- DUE TO CLINTON MISSTEPS -- WHILE NORTH KOREA HAS BEEN ALLOWED TO PROCEED UNCHECKED WITH ITS NUCLEAR WEAPONS PROGRAM.
- THE U.S. NEGOTIATING POSITION IGNORES WHAT LED TO THE PRESENT CRISIS, AND BARELY CHALLENGES NORTH KOREA ASSERTIONS.
- RESUMING FULL IAEA INSPECTIONS, INCLUDING SPECIAL INSPECTIONS, IS NOT AT THE TOP OF OUR AGENDA.
- FREEZING CURRENT PLUTONIUM ACTIVITIES AT THE ONE NUCLEAR FACILITY OPERATING IN NORTH KOREA IS NOT AT THE TOP OF OUR AGENDA.
- INSTEAD THE U.S. HAS DROPPED DEMANDS, OFFERED AID AND ALIENATED SOUTH KOREA.
- THE SOUTH AFRICAN OPTION -- COMPLETE DISMANTLEMENT -- SHOULD BE OUR POLICY GOAL.
- SOUTH KOREA SHOULD BE OUR ALLY, NOT AN AFTERTHOUGHT.
- WE SHOULD NOT RESUME TALKS WITH NORTH KOREA UNTIL THEY HONOR THEIR COMMITMENT TO RESUME TALKS WITH SOUTH KOREA.
- AND WE SHOULD DROP OUR OFFER TO STORE NORTH KOREAN PLUTONIUM IN RUSSIA -- A COUNTRY WHICH CANNOT EVEN KEEP TRACK OF ITS OWN PLUTONIUM.

If pressed on the military issue:

- WE SHOULD NEVER RULE OUT THE USE OF FORCE WHERE OUR VITAL

INTERESTS ARE AT STAKE -- AND THEY ARE IN KOREA. HOWEVER,
MORE ADEPT AND MORE FIRM DIPLOMACY CAN AND SHOULD BE
PRUSUED BEFORE THE ISSUE OF MILITARY ACTION NEEDS TO BE
FACED.

RUSSIA SUMMIT

The summit does not have major issues (outside of Bosnia -- see separate briefing). No new aid package will be announced; the theme is "trade, not aid." Yeltsin will also meet with IMF officials in an effort to unlock \$8-9 billion in loans. A related sub-theme is efforts to stem organized crime in Russia since business cannot operate without a semblance of the rule of law. Another sub-theme will be further action on nuclear safety (Nunn-Lugar) issues. The major Russian goal will be to prevent the expansion of NATO and get further sanction for its neo-colonial policy in the Newly Independent States (NIS). Some cynics might suggest that it is a meeting between two severely wounded politicians. One positive note is the possibility of progress on peace talks over Nagorno-Karabagh -- principally due to exhaustion on the parts of Armenia and Azerbaijan.

- THIS ADMINISTRATION HAS BEEN CONSISTENT IN ONE AREA -- PURSUING STROBE TALBOTT'S "RUSSIA FIRST" POLICY.
- THE PARTNERSHIP FOR PEACE IS A FLAWED CONSOLATION PRIZE FOR THE DEMOCRACIES OF CENTRAL AND EASTERN EUROPE. U.S. POLICY HAS BEEN WRONG -- AND WILL CONTINUE TO BE WRONG -- TO ALLOW RUSSIA TO VETO THE EXPANSION OF NATO.
- EUROPE AND THE WEST HAVE A STRATEGIC INTEREST IN MOVING THE BORDER OF STABLE DEMOCRACIES EASTWARD -- FROM GERMANY TO POLAND, THE CZECH REPUBLIC AND HUNGARY.
- NATO ON THE BORDER OF RUSSIA POSES NO THREAT TO RUSSIA JUST AS NATO NEVER POSED A THREAT TO THE WARSAW PACT.
- THE U.S. HAS SANCTIONED RESURGENT RUSSIAN IMPERIALISM AS "PEACEKEEPING." THAT IS A MISTAKE.
- RUSSIA IS NO LONGER AN ADVERSARY, BUT IT IS NOT A PARTNER EITHER. RIVAL MAY BE THE BEST WORD. WE CAN STILL AGREE ON ISSUES, BUT WE HAVE DIVERGENT INTERESTS -- THE DIVERGENCE WILL INCREASE AS RUSSIAN NATIONALISTS GAIN IN STRENGTH.
- ALL THE DEALS MADE FOR HAITI IN THE U.N. MAY NOT BE KNOWN FOR SOME TIME, BUT IT LOOKS LIKE WE GAVE THE RUSSIANS GEORGIA AND THEY GAVE US HAITI.
- OUR POSITION ON HAITI MAKES IT HARD TO COMPLAIN ABOUT RUSSIAN ACTIVITIES IN THE CAUCASUS OR CENTRAL ASIA.
- NO ONE HAS MORE RESPECT FOR PRESIDENT YELTSIN THAN I, BUT NATIONALISM IS ON THE RISE IN RUSSIA. WE CANNOT IGNORE IT.

GENERAL FOREIGN POLICY

The Clinton team often argues that foreign policy is more difficult now in the post Cold War era as an explanation for their mistakes. While the world has changed, the basic elements of sound policy (one voice, consistency, planning ahead, expecting contingencies, etc.) remain the same. Criticisms of the Christopher-Lake team are at a fever pitch; expect changes by the end of the year.

TALKING POINTS

- THE CLINTON ADMINISTRATION IS NOT THE FIRST TO FACE POST-COLD WAR CRISES. PRESIDENT BUSH IN PANAMA (1989) HAD NOTHING TO DO WITH THE COLD WAR.
- TWO OTHER NON-COLD WAR CRISES ILLUSTRATE THE DIFFERENCE BETWEEN GOOD AND BAD POLICY MAKING AND IMPLEMENTATION: IRAQ (1990-91) TO SOMALIA (1992-2).
- IN IRAQ WE SET THE GOALS, CALLED THE SHOTS, PERFORMED THE MISSION, AND WON THE WAR.
- IN SOMALIA, THE UN CALLED THE SHOTS, THE MISSION CHANGED, AMERICANS WERE KILLED, WE RETREATED, AND AIDEED WON THE WAR.
- AFTER THE COLD WAR, THE MARGIN FOR ERROR IS GREATER -- FORTUNATELY FOR THIS ADMINISTRATION.
- IT'S A LITTLE BIT MUCH TO SAY IT HARDER NOW, THAN IT WAS WHEN WE HAD AN ENEMY COMMITTED TO OUR DEMISE CHALLENGING OUR INTERESTS AROUND THE WORLD.
- THE PROBLEM OF THIS ADMINISTRATION IN FOREIGN POLICY IS INDECISION, INCONSISTENCY, NO STRATEGIC VISION, AND NO MORAL COMPASS.
- IN HAITI WE HAVE HAD DIAL A POLICY.
- IN BOSNIA, WE HAVE RETREATED FROM ANY PRINCIPLE.
- IN NORTH KOREA, THE GOAL IS TO GET THE ISSUE OFF THE FRONT PAGE RATHER THAN ADDRESS A SERIOUS LONG-TERM THREAT.
- EVEN WHEN AMERICAN POLICY IS ULTIMATELY CORRECT (MFN FOR CHINA), IT IS IMPLEMENTED IN A MANNER WHICH FURTHER DIMINISHES OUR CREDIBILITY.

GATT

GATT / Trade

- AFTER A PROMISING START SUPPORTING PASSAGE OF THE NORTH AMERICAN FREE TRADE AGREEMENT, THIS ADMINISTRATION HAS BEEN HEADED STEADILY DOWNHILL ON TRADE POLICY.
- IN FACT, EVEN NAFTA WAS JEOPARDIZED BY THE LAST-MINUTE ADDITION OF LABOR AND ENVIRONMENT SIDE AGREEMENTS THAT NEARLY DERAILED THE TRADE AGREEMENT.
- TRADE POLICY WITH JAPAN HAS DEVELOPED AN ALMOST SURREAL QUALITY. AFTER ANNOUNCING A NEW DEPARTURE WITH THE SO-CALLED FRAMEWORK TALKS, THE SOLE ACHIEVEMENT OF THIS POLICY HAS BEEN THE CONTINUING SLIDE OF THE DOLLAR AS DEADLINES ARRIVE AND PASS WITH NO ACTION. ANOTHER DEADLINE LOOMS NOW -- SEPTEMBER 30 MARKS THE DEADLINE FOR NAMING COUNTRIES UNDER SUPER 301, AND ALSO IS THE DEADLINE FOR PROGRESS UNDER THE FRAMEWORK TALKS. I HEAR WARNINGS FROM THE ADMINISTRATION, BUT NO INDICATIONS OF THE CONSEQUENCES OF FAILURE. THIS POLICY SEEMS TO BE CAUGHT IN A "GROUNDHOG DAY" SYNDROME -- A CYCLE OF THREATS, BLUSTER, MISDIRECTION, COLLAPSE AND RE-EVALUATION.
- THE ADMINISTRATION SUCCEED IN COMPLETING SEVEN YEARS OF NEGOTIATIONS IN BRINGING THE URUGUAY ROUND TO A CLOSE. MICKEY KANTOR DESERVES CREDIT. AND YET, THE FIRST IMPULSE OF THE ADMINISTRATION IN CRAFTING AN IMPLEMENTING BILL WAS TO SEEK FAST-TRACK NEGOTIATING AUTHORITY FOR FUTURE TRADE AGREEMENTS THAT WOULD PERMIT THE U.S. TO IMPOSE TRADE SANCTIONS ON OTHER COUNTRIES FOR ENVIRONMENTAL OR LABOR RIGHTS PROBLEMS. THIS WAS TOTALLY UNACCEPTABLE, AND REPUBLICANS MADE THIS CLEAR EARLY IN THE PROCESS -- BUT THIS PROPOSAL WAS ONLY DROPPED A WEEK AGO. THAT ISSUE ALONE SEVERELY DELAYED POSSIBLE ACTION ON THE IMPLEMENTING BILL.
- OTHER PROBLEMS WITH THE IMPLEMENTING BILL STILL EXIST. THERE IS A RULE-OF-ORIGIN PROBLEM, A PROBLEM WITH THE AGRICULTURE PROVISIONS, AND, OF COURSE, THE BILL IS NOT PAID FOR. ADEQUATE FUNDING OF THIS TRADE BILL WAS A CLEAR REQUIREMENT SET OUT BY REPUBLICANS EARLIER THIS YEAR. NEVERTHELESS, OUR STATEMENTS HAVE BEEN IGNORED. THE FUNDING PACKAGE IS AT LEAST \$4 BILLION SHORT, AND NO PRETENSE IS MADE TO PAY FOR IT IN THE SECOND FIVE YEARS.
- THE BILL WILL BE SUBJECT TO A POINT OF ORDER ON THE FLOOR OF THE SENATE, AND WAIVING THE BUDGET RULES WILL REQUIRE 60 VOTES. I BELIEVE THIS IS A GIGANTIC ROLL OF THE DICE, AND PLACES AT RISK THE ENTIRE TRADE AGREEMENT.
- THIS KIND OF GAMBLE APPEARS TO BE A COMMON THREAD THROUGHOUT THE ADMINISTRATION'S TRADE POLICY. WE SAW IT WITH CHINA MFN, WITH NAFTA, WE ARE SEEING IT WITH JAPAN AND WITH THIS TRADE BILL. WITH FAST-TRACK AUTHORITY DROPPED FOR THIS

YEAR, WE ARE ALMOST CERTAIN TO HAVE A TRADE BILL NEXT YEAR. I HOPE THE PATTERN OF THE PAST TWO YEARS IS NOT CONTINUED INTO NEXT YEAR'S EFFORT TO CRAFT NEW TRADE LEGISLATION. IF THE FAST-TRACK DEBACLE SHOWED ANYTHING, IT IS THAT THE DIRECTION AND PRIORITIES IN TRADE POLICY MUST HAVE BIPARTISAN SUPPORT TO SUCCEED.

GRIDLOCK

9/22

N.Y. Times

We'll Obstruct What Needs Obstructing

By Bob Dole

WASHINGTON
The last few months haven't been the best for Congress. The hours have been long, the debates have been contentious. And as we left for the Labor Day weekend, the American people seemed to respect the Congress and its members less and less.

Now some people are suggesting that if members of Congress could just exercise a little more "bipartisanship," America would be better served and the public would hold us in higher regard. I disagree. When principles coincide, bipartisanship should prevail. But sacrificing principles will neither be good for America nor good for our Government.

There have been appropriate moments of bipartisanship in the last couple of years. Republicans joined with the Democrats in quickly confirming President Clinton's Cabinet and Supreme Court nominees. (A stark contrast to the "Spanish inquisitions" that tortured the nominees of Ronald Reagan and George Bush. Remember Robert Bork? Remember John Tower? Remember Ed Meese?) And the North American Free Trade Agreement was possible only because Republicans stood with the President, who was opposed by Democratic leaders in the House and a majority of Democrats in Congress.

On these occasions, Republicans worked in a bipartisan manner with Mr. Clinton for important, substantive reasons. In the first case, we helped confirm nominees because we believe that Presidents should have a fairly free hand in choosing them, barring extraordinary circumstances. In the case of Nafta, we supported the President because we believe in free trade.

But we opposed the President on other issues — the budget, the crime bill, his health care plan — because the legislation he was promoting went in the wrong direction.

On each of these issues, the President and the Democratic Congress have pursued the most partisan approach in my memory. Perhaps it was because they knew they were promoting some of the most liberal legislation in memory. Republicans were locked out of the budget-writing process, our ideas to cut spending were ignored, and the result was a massive tax increase: more than a quarter of a trillion dollars.

On health care, Republicans (and everyone else) were kept in the dark as the White House crafted in its huge plan in secret. And on crime, the Democrats closed the doors, added billions in pork and subtracted the tough anti-

crime provisions that had been in the bill approved by the Senate. Some criminal sentences were actually reduced in this rewritten version.

Republicans were told they could either take the revised version of the crime bill, or leave it. The only reason the bill was ultimately changed — so that it cost less and concentrated more on crime — was that so many House Democrats joined with their Republican colleagues to insist on it. I will always be proud that 38 Senate Republicans and one Senate Democrat came as close as we did in our efforts to make more dramatic improvements — not in the interest of the party, but to promote good public policy.

If the President hopes for bipartisanship next year, in a Congress that I hope will include even more Republicans, then he must begin with better public policy, a feat that will become more likely if more conservatives and more Republicans are included in the policy-making process.

But bipartisanship must never become the primary goal of any member of Congress. We have a two-party system for a very good reason: we represent different views. We em-

Bipartisanship? Only when it's good for America.

brace profoundly different ideas about Government's proper role and size and intrusiveness in our lives. We have a different understanding of America's place in the world, and her history and future in it. We also disagree about some fundamental social values. Our arguments are not about personalities; they are about philosophy.

Try to imagine an America without principled opposition to the President. Would Franklin D. Roosevelt have succeeded in packing the Supreme Court? Would Harry S. Truman have set a dangerous precedent by drafting striking railroad workers into the Army? Would the Watergate cover-up have succeeded? Would we have rushed blindly this year into the most sweeping, disruptive and dangerous expansion of Government in our history by adopting President Clinton's health care plan?

Before we wish for the day when all votes in the Senate are 100 to nothing, let us remember the words of Robert F. Kennedy: "Those who now call for an end to dissent ... seem not to understand what this country is all about. For debate and dissent are the very heart of the American process. We have followed the wisdom of Greece: 'All things are to be examined and brought into question. There is no limit set to thought.'"

Personal attacks and petty jealousies have no place in our political system. But honest debate and dissent do. My colleagues and I must continue to question President Clinton's policies, and those of his party. We have sworn an oath to the American people that requires us to do so. □

Bob Dole, Republican of Kansas, is the Senate minority leader.

HEALTH CARE

Senator George Mitchell
Majority Leader
United States Senate
Washington, D.C. 20510

September 20, 1994

Dear Senator Mitchell:

We believe strongly that it would be a grave mistake to bow to last minute pressure to pass any "mainstream" health care legislation that is both unworkable and destined to cause real harm to millions of Americans.

We are profoundly disappointed that our work and yours to support comprehensive, universal and affordable health care reform has been diminished in these last ditch efforts to draft a reform strategy. With prospects for that kind of reform now quite distant, we urge you not to support any proposal that has the potential to injure the health care benefits of the very people reform is supposed to be helping. We also urge that there be sufficient time for public scrutiny of any new compromises that may develop.

The "mainstream" proposal represents a step backward for our members.

Not only would it fail to cover everyone, it contains incentives for employers and individuals to drop coverage they now have.

Not only does it lack any effective cost control, it would increase costs to many consumers through a tax on hard-won insurance plans.

It would shift the burden of paying for health care away from employers and onto the elderly and low-income individuals, in part through cuts in Medicare and Medicaid without a corresponding increase in benefits such as long term care and prescription drugs, and through changes in medical malpractice.

Medicaid beneficiaries would lose their current coverage. Promised subsidies to help them buy insurance would vanish if budget failsafe requirements were triggered. Even if subsidies were furnished, care would be much less affordable, and fewer benefits would be covered.

The benefits section, including multiple benefit packages that each individual health plan is left to define, would lead directly to adverse risk selection and inadequate coverage.

Insurance interests could sit on the boards of health insurance purchasing cooperatives. This means the cooperatives authorized to negotiate the price of insurance, and to create broad pools of people without discrimination, would be influenced by the companies who would stand to profit from selling insurance at higher rates to healthier risk pools, a set-up for failure. There is not even a conflict of interest provision to regulate the companies' actions while sitting on the boards.

The means-tested home care benefit would be no better than the current Medicaid program. Because the benefit would be so minimally funded, many middle-income families would be forced to a poverty level in order to qualify for the benefit.

Last but perhaps most important, the "mainstream" proposal would obstruct states that want to move ahead on expanding access and controlling health care costs. It would undermine the implementation of a state single payer system by allowing large self-insured employers to opt out of those systems. States would be prohibited from extending consumer protection and coverage requirements to the employees of self-insured employers.

The undersigned organizations support comprehensive reform of the nation's fragmented health care system, a system which cannot measure up to any standards of justice and equity. We are deeply disappointed by the failure to enact comprehensive health care reform legislation this year. However we feel strongly that the "mainstream" proposal retreats even further from that goal, and we urge you to oppose this proposal.

Sincerely,

AIDS Action Council
Alliance Against Discrimination Against Mental Illness and
Substance Abuse Treatment
Amalgamated Clothing and Textile Workers Union (ACTWU)
American Association of Private Practice Psychiatrists
American Association of Retired People (AARP)
American College of Nurse Midwives
American Counseling Association
American Federation of State, County and Municipal Employees
(AFSCME)
American Mental Health Counselors Association
American Psychoanalytic Association
American Public Health Association
Americans for Democratic Action
Bazelon Center for Mental Health Law
Campaign for Health Security
Center on Disability and Health
Churchwomen United
Citizen Action

Consumers Union
Family Service America
Gray Panthers
International Ladies' Garment Workers' Union (ILGWU)
International Longshoremen's and Warehousemen's Union (ILWU)
International Union of Electronic, Electrical, Salaried, Machine
and Furniture Workers (IUE)
Interreligious Health Care Access Campaign
National Association of Public Hospitals
National Association of Social Workers
National Association of Mental Health Administrators
National Council of Churches
National Council for Independent Living
National Council of Senior Citizens
National Education Association (NEA)
National Federation of Clinical Social Workers
National Health Care for the Homeless Council
National Rural Health Network
National Organisation of State Associations for Children
National Women's Health Network
Oil, Chemical and Atomic Workers Union
Public Citizen
Real Health Care for All
Unitarian Universalist Association
United Church of Christ, Office for Church and Society
U.S. Public Interest Research Group (U.S. PIRG)
Washington Psychiatric Society
Neighbor to Neighbor
Network

TEETER POLL
July 23-26

Now, I would like to turn to the topic of health care.

(FORM A)

16a. In general, do you approve or disapprove of the job Bill Clinton is doing in handling the issue of health care reform?

	7/94	6/94	
Approve	40	43	[51]
Disapprove	52	47	
Not sure	8	10	

(FORM B)

16b. In general, do you approve or disapprove of the job Congress is doing in handling the issue of health care reform?

	7/94	6/94	
Approve	26	26	[52]
Disapprove	65	61	
Not sure	9	13	

(BOTH FORMS.)

17a. From what you have heard or read, do you favor or oppose President Clinton's health care program?

	7/94	6/94	5/94	3/94	1/94	12/93	10/93	9/22/93*	
Favor	41	38	36	37	42	47	47	51	[53]
Oppose	48	46	44	45	39	32	37	18	
Need to know more (VOL)	7	11	14	12	12	15	12	17	
Not sure	4	5	6	6	7	6	4	14	

*Asked in NBC News survey.

(FORM B)

17b. Do you think Congress should pass a health care reform bill this year, or continue to debate the issue and act next year?

	7/94	6/94	5/94	
Congress should pass bill this year	34	37	34	[54]
Congress should debate and act next year	61	57	58	
Not sure	5	6	8	

(FORM A)

17c. Do you believe that Congress and the President should continue their efforts to reform the health care system, or would you prefer that they leave the system as it is now?

	7/94	6/94	
Congress and President should continue efforts	70	71	[55]
Congress and President should leave system as is	26	25	
Not sure	4	4	

(BOTH FORMS)

- 18a. If President Clinton and Congress agree and pass a health care reform bill, do you think that the quality of health care will get better, stay about the same, or get worse?

	<u>7/94</u>	<u>6/94</u>	
Quality will get better	25	25	[56]
Quality will stay about the same	30	32	
Quality will get worse	38	37	
Not sure	7	6	

- 18b. And if President Clinton and Congress agree and pass a health care reform bill, do you think that the cost of health care will increase, stay about the same, or decrease?

	<u>7/94</u>	<u>6/94</u>	
Cost will increase	58	55	[57]
Cost will stay about the same	21	26	
Cost will decrease	16	14	
Not sure	5	5	

- 18c. And if President Clinton and Congress agree and pass a health care reform bill, do you think that the availability of health care services will increase, stay about the same, or decrease?

	<u>7/94</u>	<u>6/94</u>	
Availability will increase	28	30	[58]
Availability will stay about the same	32	35	
Availability will decrease	36	32	
Not sure	4	3	

(FORM B)

- 19a. Please tell me which of the following statements comes closer to your own point of view?

Statement A: Younger people should pay less than older people for health insurance, because they generally have lower health care expenses.

Statement B: Younger and older people should pay the same amount for health insurance, because everyone eventually will pay the same over their lifetime.

Statement A: Younger people should pay less than older people . . .	15	[59]
Statement B: Younger and older people should pay the same	77	
Not sure	8	

(FORM A)

19b. Please tell me which of the following statements comes closer to your own point of view?

Statement A: Having guaranteed health coverage for everyone will make it easier to control health care costs, because everyone will be participating in the system.

Statement B: Having guaranteed health coverage for everyone will make it more difficult to control health care costs, because more people will have to be covered.

Statement A/Will make it easier	48	[60]
Statement B/Will make it more difficult	47	
Some of both (VOL)	1	
Not sure	4	

(BOTH FORMS)

20. Do you think all employers, regardless of size, should or should not be required to provide health insurance for their employees?

	<u>7/94</u>	<u>3/94</u>	
Should be required	55	57	[61]
Should not be required	41	37	
Not sure	4	6	

21a. As part of health care reform, Congress may require insurance companies to provide a standard package of benefits to everyone. In your opinion, should abortion services be part of that package, or should abortion services not be part of that required package of benefits?

Abortion services should be part of the package	39	[62]
Abortion services should not be part of package	56	
Not sure	5	

21b. And if abortion services are **not** part of the standard package of health insurance benefits, should people have the option of obtaining coverage for abortion services by paying an additional premium, or not?

Should have the option to obtain coverage for abortion services with additional premium	66	[63]
Should not have the option to obtain coverage for abortion services with additional premium	30	
Not sure	4	

ROTATE Q.22a and Q.22b ON EVERY OTHER INTERVIEW

22a. In the current debate over health care, would you say the Republicans are mostly trying to do what is best for the country, or mostly trying to gain political advantage?

Republicans are mostly trying to do what is best for the country	30	[64]
Republicans are mostly trying to gain political advantage	57	
Some of both (VOL)	5	
Not sure	8	

22b. In the current debate over health care, would you say the Democrats are mostly trying to do what is best for the country, or mostly trying to gain political advantage?

Democrats are mostly trying to do what is best for the country	40	[65]
Democrats are mostly trying to gain political advantage	47	
Some of both (VOL)	6	
Not sure	7	

23. Here are some specific provisions that could be part of a health care reform plan. For each one, please tell me if you favor or oppose that specific provision of the plan. (READ ITEM. IF "FAVOR" ASK:) And would you be willing to forego this provision if doing so would help get health care reform passed, or do you feel this provision must be in a good health care reform plan?

	Favor/Willing To Forego	Favor/Must Be in Plan	Total Favor	Oppose	Not Sure	
Requiring all businesses to pay at least eighty percent of medical coverage for their employees						
July 1994	16	38	54	40	6	[66]
December 1993	NA	NA	65	29	6	
Providing exactly the same comprehensive benefits package for everyone						
July 1994	16	53	69	25	6	[67]
December 1993	NA	NA	65	29	6	
Imposing overall limits on how much the United States spends on health care						
July 1994	15	35	50	39	11	[68]
December 1993	NA	NA	51	37	12	
Charging all Americans the same for health insurance, regardless of factors like their age and where they live*						
July 1994	14	41	55	40	5	[69]
December 1993	NA	NA	52	42	6	
Guaranteeing coverage for all Americans regardless of health or employment status						
July 1994	11	61	72	22	6	[70]
December 1993	NA	NA	78	17	5	

Note: In December 1993, the answer grid was "Favor Provision," "Oppose Provision," and "Not Sure."

*In December 1993, this statement used the phrase "health care" rather than "health insurance."

- 24a. If Congress passes a health care plan that includes a number of health care reforms, but does not guarantee health insurance for all Americans, should President Clinton sign the bill or veto the bill?

President Clinton should sign the bill	26	[71]
President Clinton should veto the bill	65	
Not sure	9	

(FORM A)

- 24b. If Congress passes a health care plan that includes a number of health care reforms, but does not guarantee health insurance for all Americans, and President Clinton signs that bill, do you feel that he will have lived up to the commitments he has made on the health care issue, or not?

Will have lived up to commitments	22	[72]
Will not have lived up to commitments	72	
Not sure	6	

(FORM B)

- 24c. If Congress passes a health care plan that guarantees health insurance for all Americans, but it takes five years to achieve this goal, and President Clinton signs that bill, do you feel that he will have lived up to the commitments he has made on the health care issue, or not?

Will have lived up to commitments	58	[73]
Will not have lived up to commitments	36	
Not sure	6	

(BOTH FORMS)

25. Do you think that Congress will pass or will fail to pass some type of major health care reform this year?

	7/94	1/94	3/93	
Congress will pass major health care reform	31	41	40	[74]
Congress will fail to pass major health care reform	63	54	53	
Not sure	6	5	7	

Now on to another topic...

- 26a. In your view, has the country gone too far in keeping religion and government separate, gone too far in mixing religion and government, or has it struck a good balance in the area of the separation of church and state?

Gone too far in keeping religion and government separate	36	[75]
Gone too far in mixing religion and government	18	
Struck a good balance in area of separation of church and state	40	
Not sure	6	

- 26b. Do you believe that it is appropriate or not appropriate for religious groups to advance their beliefs by being involved in politics and working to affect public policy?

Appropriate for religious groups	41	[76]
Not appropriate for religious groups	54	
Not sure	5	

09/20/94 17:16:25 VIA FAX

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313162648446 TO: SENATOR DOLE

Page 001



HEALTH CARE POLL

**TO: CONGRESSMAN BILL MCCOLLUM
COUNTDOWN FOR MAJORITY**

**FROM: JOHN MCLAUGHLIN,
FABRIZIO, MCLAUGHLIN & ASSOCIATES**

**RE: NATIONAL POLL - SEPTEMBER 12-14TH, 1994 -
1,000 LIKELY VOTERS**

DATE: SEPTEMBER 20, 1994

- At this time the political environment looks very good for strong Republican gains. The "5 point bounce" Republicans may get in November, due to differences in turnout, is apparent since Republicans outnumber Democrats 39% to 35% among these likely November voters.
- In the generic ballot test for Congress, Republicans lead Democrats by 8 points - 41.8% to 33.8%. Among those who are undecided in their choice for Congress, Bill Clinton is a net unfavorable and they are not likely to support his initiatives on health care.
- Well over 80% of all likely voters have health care: 76% are covered under a health insurance plan, and another 11.6% belong to an HMO. Among these voters with health care, 87.1% are satisfied with their coverage. This means that three-quarters of all likely voters, 76.3%, have health care with which they are content.
- An overwhelming three-quarters of the voters, 77.4%, do not trust Congress to pass a bill in the next few weeks that would improve their health care.
- The majority of voters believe that if the federal government, under Bill Clinton, gets more involved in health care, the quality of care will decrease (52.3%) and their costs in taxes and premiums will increase (75.0%). They believe they will get less for more money.

Memorandum - Congressman Bill McCollum
National Poll
September 20, 1994
Page two

- Six in ten voters would not provide universal coverage to a family of four earning \$20,000 or more each year, and a majority of the voters do not want to pay more than \$100 a year in either increased taxes or health insurance premiums for universal coverage. Three in ten would not want to pay anything to provide universal coverage.
- Three-quarters, 75.5% of the voters, want Congress to wait, debate the issue during the election, let the people vote, and then let the new Congress make new health care laws. Only 15.2% would pass a new health care law before the election.
- Two-thirds of the voters, 66.3%, see Clinton trying to pass a measure now as merely a first step to more radical steps next year.
- If President Clinton and the Democrats press their agenda for new legislation which either decreases the quality care or increases cost for the over 80% of Americans with health care, they will be increasing the votes to be received by Republican candidates for Congress.
- If we can get these public opinion facts out to Republican members of Congress and Republican candidates for Congress, it is very likely that we can benefit in November by advocating that a new Congress with more Republicans will do a better job on health care than this Congress.



Republican National Committee

Haley Barbour
Chairman

Handwritten notes:
J. Clinton
L. Clinton
J. Clinton

September 21, 1994

MEMORANDUM FOR REPUBLICAN LEADERS & CANDIDATES

FROM: HALEY BARBOUR

SUBJECT: HEALTH CARE ANNIVERSARY

September 22 is the one-year anniversary of President Clinton's prime time speech introducing his Health Security Act. The Clintons followed this generally well-received speech with dozens of others, countless "campaigns," even a bus tour, but the verdict is in — health care reform is just about dead for this session of Congress. And the Clintons killed it by introducing a government-run health care system and, abetted by Congressional Democrats, disguised its financing, its destructive effect on the quality of health care, and its cost to American families. It's no wonder that for the last few months, a solid two-thirds of the American people have been advocating Congress go slow, and get it right.

Democrats, especially those running for re-election this year, will explain their failure to pass health care as a result of "gridlock" and "special interests." We can't let Democrats get away with this strategy. First, the Democrats control both chambers of Congress by comfortable margins. They chose a partisan "Democrats-only" strategy to pass the largest tax increase in history in 1993, and they chose a partisan strategy for health care, and even rejected granting Republicans more than limited committee hearings on common-sense health care reform. When their strategy fails, they should not be allowed to hide behind Republicans. Second, the American people are a lot smarter than Washington gives them credit for. Americans didn't reject a PR campaign. They rejected a government-run health care system that threatened the quality of care and promised huge job losses as a result of its payroll tax.

- The Clintons failed to recognize the rejection of their plan was based on the policy, not public relations. They conspired with their allies in Congress to tinker around the edges, and cynically repackage the plan as something other than ClintonCare. Not surprisingly, the American people didn't buy the new and improved health care plans. In contrast to this maneuvering, the Republicans have consistently advocated common-sense health care principles first presented to First Lady Hillary Rodham Clinton before President Clinton's speech last year. Outside the Beltway, we won the debate.

Nevertheless, Democrat-inspired conventional wisdom will point to Republicans for the failure of health care reform. Conventional wisdom is flat out wrong. Be on the offensive on this issue —



use health care and this anniversary as an opportunity to highlight the real philosophical differences between the parties. The Republican bills are consistent with what we articulated last September. Had our bills been given a fair hearing in this Democrat-controlled Congress, the American people would have seen health care reform enacted months ago. Instead, the Clintons and their Democrat allies hid behind their stated six principles on health care, while they promoted a government-run health care system. No wonder Americans are cynical.

Why ClintonCare Really Failed

The Clintons offered the nation a "health security card" and a health care plan supposedly built on six principles — security, simplicity, savings, choice, quality and responsibility. Ironically, a year later it's those very same principles that make the Republican case for health care reform, and it was the Clintons, not Republicans, who killed health care reform by failing to level with Americans about the facts of their plan. Americans are smarter than the White House thought, and realized while *the principles sound good, they're completely inconsistent with the Clintons' actual bill*. Reminding the American people of the Clintons' and Democrat Congress' attempted deception just reinforces Americans' agreement with Republicans on health care reform.

- To the Clintons, "*security*" & "*choice*" meant the security of a government-run health care system, with choices dictated by a powerful 7-member politically appointed National Health Board, and enforced by bureaucrats in "regional alliances," the local monopolies through which nearly everyone would be forced to purchase their health care. Under ClintonCare, Americans would be "secure" in knowing bureaucrats would take control over major decisions — like the type of health care benefits available (based on a bureaucratic determination of what was "medically necessary & appropriate"), the price paid for them, and even the number of medical specialists trained in our medical schools.

In contrast, Republican principles on health care articulated security as the assurance Americans wouldn't lose their insurance if they got sick, moved, changed or lost their job. That's the security Americans were looking for. Republican plans rejected Washington-imposed choice and instead increased consumer choice, requiring employers to offer (but not pay for) 3 separate health plans including a low-cost, high-deductible, tax-favored Medical Savings Account, an option not available under ClintonCare. Under the Dole-Packwood and Michel plans Americans wouldn't be forced into a government-dictated plan and would have the option to continue their current plan, something the Clintons wouldn't accept.

- The "*simplicity*" advocated by the Clintons and their allies turned out to be a hoax. The plan did pay lip service to simplicity by requiring standardized claims forms, a reform supported by Republicans as well as Democrats. But organizational charts under ClintonCare found dozens of new bureaucracies and hundreds of new regulatory controls; one study last year estimated 100,000 new bureaucrats at the federal, state, and local level would be required to implement the plan. The American people recognized the Republican message — simplicity doesn't mean more government.

- The Clintons' claimed "*savings*" evaporated with each hard look at ClintonCare. In February, the Congressional Budget Office found the Clintons drastically understated costs to American families. The CBO revealed the gold-plated benefits package which nearly everyone must buy would cost Americans anywhere from 5% to 28% higher than claimed by the Clintons. Other independent analysis put the figures even higher, from 12.7% to 51% (Hewitt & Associates). Facing sticker shock, Americans rightly rejected overly optimistic deficit reduction estimates and recognized the lack of common sense at the center of the Clintons' promise — you can't promise *everyone* a *gold-plated* benefits package at a lower cost than *they're currently paying*. Americans also realized the employer mandate was a payroll tax, pure and simple, and huge numbers of jobs would be lost as a result.

Republicans advocate health care savings through reforming the federal government's costly and inefficient Medicaid system, real medical malpractice tort liability reform and an end to wasteful defensive medicine, administrative reforms, and state flexibility.

- Nothing more clearly illustrated the Clintons' faith in government than their assertion ClintonCare would increase "*quality*" for health care consumers. Americans quickly recognized a government-run health care system with government-imposed spending limits would harm quality and result in rationing. ClintonCare's regulations and price controls on drugs threatened R&D and future modern miracles. Like Republicans in Congress, Americans agreed it wasn't worth the risk.
- The Clintons disguised their paternalistic entitlement with a call for "*responsibility*" in health care. The country quickly learned what they meant by responsibility — for employers, it meant a job-killing payroll tax called "shared responsibility." For families, it meant the responsibility of picking up the government's tab when ClintonCare's bills came due.

Republican plans endorsed the common-sense notion that individual responsibility should mean increased individual control over health care, and the GOP plans provided Americans with the needed tools, including the ability to choose plans that suit a family's need..

Health Care is a Winning Issue for Republicans

Republicans won the debate over health care fair and square. By exposing the charade of the Clintons' six principles and by refusing to back off *our* long declared principles, we demonstrated common-sense ideas will win over the force of a White House public relations operation. If health care reform doesn't pass this year, it will be because the White House and their allies waited until the 11th hour to recognize Americans had rejected the basic tenets of ClintonCare — a government-run health care system financed by a job-killing payroll tax that would hurt the quality of care Americans receive. *On September 22, Republicans must make clear the Clintons' effort failed because of the policy, not the sales job.*

Bob Dole



NEWS

U.S. SENATOR FOR KANSAS

FROM:

SENATE REPUBLICAN LEADER

FOR IMMEDIATE RELEASE
Thursday, September 22, 1994

Contact: Clarkson
(202) 224-5358

HEALTH CARE REFORM

ON ANNIVERSARY OF CLINTON SPEECH,
DOLE ASSESSES HEALTH CARE DEBATE

One year ago today, the health care debate officially began when President Clinton delivered his nationally-televised address before a joint session of Congress.

And there can be no doubt that over the past twelve months, health care has been the most debated, discussed, and dissected issue, both in Capitol Hill committee rooms, and in living rooms and coffee shops across America.

Choice, Quality, Jobs & Cost

Immediately after the President's speech, I stated that Republicans were ready to work with the President to achieve the right kind of reform--reform that built on the best health care delivery system in the world, rather than reform that destroyed it. And I asked the American people to keep four key issues in mind throughout the debate. Those issues were: Choice, quality, jobs, and cost.

After carefully studying President Clinton's health care plan for the better part of a year, the American people reached a conclusion. Adoption of the Clinton plan would mean less choice, less quality, fewer jobs, and greater cost.

Once this conclusion became apparent, the Democrat Congressional Leadership did what they had to do--they went to the White House and told him his plan was dead.

American People Want a Breather

In its place, however, they introduced proposals which may not have had the President's name on top, but had many of his proposals and ideas throughout. In fact, Senate Republicans and the American people soon concluded that they had far too much in common. Too much complexity. Too much cost. Too much bureaucracy. Too much government. Too many mandates.

And as the end of this session approaches, the American people are telling us in overwhelming numbers that they want an opportunity to catch their breath. They do not want Congress to try and pass a massive health care reform plan in the final hours of session--a plan that will have had no hearings, and a plan that no one had the time to read, much less understand.

The Republican Commitment

Some in the White House, on Capitol Hill, and in the media are now wringing their hands, and asking "what went wrong with health care reform?" Some will try to argue that Bob Dole and the Republicans killed health care reform...that we aren't sensitive to those without insurance...that we're not sensitive to those with health care problems.

The fact of the matter is that throughout this debate--in fact, even before it began--Senate Republicans have offered solutions to help those in need. We've worked to help those who can't afford insurance. We've worked to help those who can't get

Republicans were ready to work with the President to achieve the right kind of reform--reform that built on the best health care delivery system in the world, rather than reform that destroyed it. And I asked the American people to keep four key issues in mind throughout the debate. Those issues were: Choice, quality, jobs, and cost.

After carefully studying President Clinton's health care plan for the better part of a year, the American people reached a conclusion. Adoption of the Clinton plan would mean less choice, less quality, fewer jobs, and greater cost.

Once this conclusion became apparent, the Democrat Congressional Leadership did what they had to do--they went to the White House and told him his plan was dead.

American People Want a Breather

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The fact of the matter is that throughout this debate--in fact, even before it began--Senate Republicans have offered solutions to help those in need. We've worked to help those who can't afford insurance. We've worked to help those who can't get insurance because of a pre-existing condition. And we've worked to help those who lose their insurance when they lose or change their job.

Throughout this year, Republicans placed a number of Republican proposals on the table--Senator Chafee...Senator Nickles...Senator Gramm...Senator Lott...Senator Specter...and one by Senator Packwood and myself--which was co-sponsored by 38 of our colleagues.

No one claimed these plans were perfect. But they were substantive proposals to improve our health care system. Unfortunately, they were not allowed one minute of real consideration. Despite the fact that they would have improved coverage for millions of Americans, they were considered by some to be too minimalist to be serious.

(MORE)

One year ago today I said that Republicans were committed to working with the President and our Democrat colleagues to give America the right dose of reform. I meant it then, and I mean it now. The fact is, however, that from the first day of this debate, the President locked all Republicans out of the process, from the creation of the stealth task force to the introduction of his bill.

I am also disappointed that the President did not respond to a suggestion I made literally hundreds of times over the past year--and that was to pass a reform bill containing the many provisions on which there was bi-partisan agreement. These provisions would have made our system more affordable and more accessible to millions of Americans today. Some Democrats, including the distinguished Chairman of the Senate Finance Committee, have suggested similar action.

Unfortunately, at this late date, I now find myself agreeing with the many who have suggested that time--and the public's patience--are too short for us to now embark on this road.

A Lot Went Right in Debate

So, what is the bottom line? Did something go "wrong" with the debate, as the White House insists. Was the past year a waste of time? Did Congress fail the American people?

The bottom line is that instead of wondering what went wrong with this debate, the White House should wake up and realize that a lot went right. Democracy is all about people coming together and making decisions. And in this case, the American people did just that. Their decision may have been exactly opposite from the one the President recommended, but that's a right the American people have in our democracy.

The bottom line is that it was not gridlock that defeated government-run health care, as some would have you believe. It was not some parliamentary trick that Bob Dole had up his sleeve. It was not the pressure tactics of so-called special interests. It was not the persuasiveness of Harry and Louise. Anyone making those suggestions is guilty of political malpractice.

Consensus of American People

What defeated the President's proposal? Plain and simple, it was the overwhelming consensus of people from all parts of our country and from all walks of life. It was the overwhelming consensus of the hard working men and women who raise families, pay taxes, and create jobs. A consensus reached after very careful study of the facts.

And the bottom line is that this year was not a waste of time, and that Congress did not fail the American people.

Indeed, Congress and America know a great deal more about health care on September 22, 1994, than we did on September 22, 1993. We have learned in greater clarity what Americans believe are the strengths and weaknesses of our health care system. We have also watched as countless Americans become involved in the process--writing and calling their Congressman or Senator; attending town hall meetings; and supporting candidates who believe as they do.

Debate Far From Complete

No doubt about it, this debate is far from complete. In fact, the next step will take place on November 8, when Americans go to the polls. Many races will provide the opportunity for Americans to choose between a Republican candidate who opposed the President's plan for government-run health care, and a Democrat candidate who supported it. Again, choosing between two different philosophies is what democracy is all about.

Congress meets every year. So we'll be back next year, and

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Congress meets every year. So we'll be back next year, and you can bet that health care reform will be on top of the agenda, no matter which party controls Congress. And Americans can count on the fact that Republicans will continue to fight for reform that guarantees the choice and quality Americans have come to expect, and we'll continue to oppose any plan to turn our health care system over to the federal government.

###

Committee on Energy and Commerce
Room 2125, Senate Office Building
Washington, DC 20515-6115

September 20, 1994

PHILIP E. SHARP, INDIANA
EDWARD J. MARNEY, MASSACHUSETTS
ALBERT W. WILSON, OHIO
CAROL T. COLLINS, N. CAROLINA
WILLIAM E. COLEMAN, CALIFORNIA
W. J. "BOB" TALBOT, LOUISIANA
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BILLY RICHARDSON, NEW MEXICO
JIM DARTT, KANSAS
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ALAN J. BOST, STAFF DIRECTOR AND CHIEF COUNSEL
ROBERT E. PETERSON, DEPUTY STAFF DIRECTOR

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

Dear Mr. President:

It is with sadness that I write to offer my thoughts about why the Congress will be unable to send you health reform legislation this year.

While I recognize that the Senate Majority Leader is still involved in efforts to craft health reform legislation, experience teaches clearly that the time has passed for consideration of any health reform measure this year. The same forces that worked so diligently to defeat meaningful comprehensive reform remain determined to scuttle thoughtful incremental measures and will use the calendar as an ally in their efforts.

It is time for us to accept the fact that the health insurance industry, an assortment of small and large freeloaders, ideologues and their allies in the Congress have succeeded in their goal: preserving a status quo in which they prosper while millions of Americans suffer and our economy and competitiveness are made vulnerable.

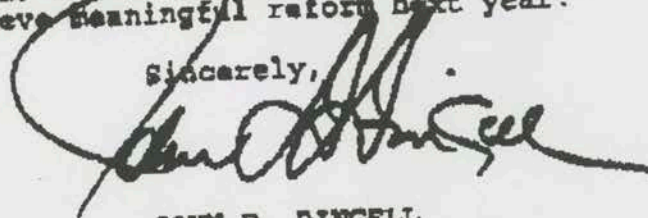
Health reform was a complex undertaking, but the imperatives for acting were and are simple. We began in agreement that skyrocketing costs and insecurity over loss of coverage was intolerable and that universal coverage was the necessary cure. Unfortunately, as soon as political expedience permitted, cynics abandoned that goal. Simple and self-evidently necessary insurance reform guaranteeing all Americans affordable coverage was similarly sabotaged.

Many of us who saw the red-baiting and demagogic tactics used in earlier decades to defeat health reform and deprive Americans of affordable coverage had hoped that things would be different this time. Instead, greedy special interests carried out a deliberate and sophisticated campaign of disinformation. It was deliberate in its expenditure of tens of millions of dollars aimed at poisoning any chance of action. It was sophisticated in its pretense of supporting reform while opposing any meaningful change.

Great legislation often requires bipartisanship. The Energy and Commerce Committee has a long tradition of successful bipartisanship, most recently under Presidents Reagan and Bush. Even during this Congress, our Committee has reported important legislation on telecommunications and Superfund by overwhelming bipartisan margins. Regrettably, when I tried to continue this tradition on health reform, I was summarily informed that Republican Members of my committee who cooperated would be punished. It is widely reported that Republicans in the Senate who worked to achieve bipartisan consensus on health and other measures are being similarly rebuked by their leadership.

Mr. President, the imperatives for health reform remain. The country owes you and the First Lady a debt for your leadership, but it is time to give health care reform a decent burial and provide for its rebirth. The issue should be raised, discussed and debated in this year's elections, in preparation for a renewed effort to achieve meaningful reform next year.

Sincerely,



JOHN D. DINGELL
CHAIRMAN

FLOOR DEBATE

HEALTH CARE REFORM STATISTICS.

- * Day started on Health Security Act (S. 2351): August 9, 1994
- * Day final Mitchell substitute ("Mitchell III") introduced: August 12, 1994
- * Last day of debate: August 19, 1994
- * Total days on health care reform: 10 days
(August 9-13, 15-19)
- * How many total hours on bill, and how divided:
NO COMPLETE NUMBERS. IMPRESSION--EQUALLY DIVIDED OR MORE
DEMOCRATIC TALK EARLY IN DEBATE.

LAST THREE DAYS OF DEBATE:

	DEMOCRATS	REPUBLICANS
Wednesday, August 17	3 hrs. 30 min.	6 hrs. 30 min.
Thursday, August 18	2 hrs. 30 min.	5 hrs. 10 min.
Friday, August 19	4 hrs. 40 min.	3 hrs. 15 min.
Total	10 hrs. 40 min.	14 hrs. 55 min.

- * Number Republicans who made opening statements: 40
- * Number Democrats who made opening statements: 37
(Does not include remarks on amendments, etc.)
- * Number of amendments: 7 (4 roll call, 3 voice vote)
LIST ATTACHED.
- * No quorum calls.

DRAFT

August 30, 1994

Side-by-Side Comparison of Dole/Packwood, Clinton/Mitchell and Chafee Group Bills

	DOLE/PACKWOOD	CLINTON/MITCHELL	CHAFEE GROUP
Mandated Coverage	<i>No mandates</i> on employers or individuals.	<p><i>Mandates on employers and individuals</i> to purchase health insurance coverage may take effect on January 1, 2002.</p> <p>Prior to "triggering" of mandates, employers in firms with <i>more than 500</i> are required to "make available" at least <i>three types of certified standard health plans</i>, including a fee-for-service and a point-of-service option. Firms with <i>500 or fewer</i> must offer coverage through a Health Insurance Purchasing Cooperative (HIPC).</p> <p><i>If mandates do take effect:</i></p> <ul style="list-style-type: none">• Employers will be required to <i>pay 50 percent of premiums</i>. Firms with fewer than 25 employees exempt from mandate.• <i>Individuals will be required to have health insurance.</i>	<p><i>No mandate</i> on employers to pay for insurance specified in statute (see also section on coverage commission below). Employers are required to make available at least <i>three types of certified standard health plans</i>, including a point-of-service or fee-for-service, if available. Employers with <i>100 or fewer</i> employees may offer coverage through a purchasing cooperative in lieu of offering three plans.</p>

DOLE/PACKWOOD

President must report to Congress by January 15, 1998 on the level of coverage and recommend ways to increase coverage.

CLINTON/MITCHELL

If **95 percent of Americans are covered** by January 15, 2000, Commission will send recommendations to Congress on achieving 100 percent coverage. The legislation will be amendable and require President's signature to take effect.

If **95 percent of Americans are not covered** by January 15, 2000, Commission will send recommendations to Congress on achieving 100 percent coverage. If Congress fails to enact universal coverage legislation by December 31, 2000, **employer and individual mandate** will take effect on January 1, 2002, in states that have less than 95% coverage.

CHAFEE GROUP

Every two years a Commission will issue a report indicating who is uncovered and why. If 95% of Americans are not covered by 2002, the Commission must submit legislative recommendations (including **possible assessments on or contributions from employers**) to Congress on how to achieve 95% coverage in market areas that don't meet target. Congress must vote on recommendations, or propose alternatives in an expedited legislative process (**amendable, but no filibuster**).

Benefits

Standard benefit package not required, but available to all. Any benefit package can be purchased. Subsidies apply to standard package only. Health plans that participate in the individual and small group market (insuring firms with between 2 and 50 workers) must offer the standard package in at least one form (fee-for-service, HMO or preferred provider organizations).

There are **two specified packages** of benefits: a standard package and an "alternative standard" benefits package that would have the same covered services but a higher deductible.

There are **three specified packages** of benefits: a standard plan and one basic plan (the third has not been defined yet). The basic package will have a lower actuarial value and either fewer benefits, higher cost sharing, or both.

DOLE/PACKWOOD

Categories of covered services under the standard package are defined in the statute. These categories are the same as specified by law for the FEHBP and in the HMO Act. The *actuarial value of the standard package* is based on the value of the Blue Cross Standard Option policy in the FEHBP. The Secretary of HHS is directed to spell out the details of coverage and cost-sharing in regulation.

In defining the package, the Secretary must give priority to *parity for mental health and substance abuse benefits*.

Secretary of HHS establishes general criteria for determining medical necessity or appropriateness. Health plans may use these criteria in reviewing specific treatments and new procedures and technologies.

CLINTON/MITCHELL

Standard benefits package includes *16 legislatively-defined categories*. The *actuarial value of the standard package* is based on the value of the Blue Cross Standard Option policy in the FEHBP. National Health Benefits Board determines the scope and duration of services and the details of three cost-sharing schedules (HMO, fee-for-service, and point-of-service).

National Health Benefits Board required to *seek parity for mental health and substance abuse benefits*, but may place more stringent limits on hospitalizations for mental illness and on outpatient psychotherapy than would apply to other services.

National Health Benefits Board establishes criteria, procedures and regulations for defining "medically necessary or appropriate."

CHAFEE GROUP

Standard plan includes *12 benefit categories* with an *actuarial value* no greater than Blue Cross Blue Shield standard option under FEHBP. A Health Commission will design the packages but will not have regulatory authority.

Within the actuarial limits set in law, the Health Commission must give priority to *parity for mental health and substance abuse benefits*.

Congress sets in law criteria for determination of medical necessity or appropriateness.

DOLE/PACKWOOD

No provision.

CLINTON/MITCHELL

Establishes Medicare drug benefit,
effective January 1, 1999.

- *Medicare beneficiaries get three drug benefit options:* a fee-for-service plan, a Prescription Benefits Management (PBM) option, and an HMO option.
- *Cost sharing on new drug benefit:* Secretary of HHS will set deductible; copayment is 20 percent; out-of-pocket limit is \$1,275 in 1999.
- *Part B premium increase* for new drug benefit: estimated \$10 per month per beneficiary in 1999, with 75 percent of the new costs borne by the general fund of the Treasury.
- *Drug manufacturers must pay rebates* as a condition of Medicare payment for drugs.

CHAFEE GROUP

No provision.

DOLE/PACKWOOD

CLINTON/MITCHELL

CHAFEE GROUP

Medical Savings Accounts (MSAs)

Employer contributions to MSAs are *linked with purchase of catastrophic health insurance*. Employer contributions excludable from employee income. Contributions by individuals and self-employed are deductible. Annual contributions limited to \$2,000 for individuals and \$4,000 for families. Tax-free and penalty-free withdrawals for medical expenses not reimbursed under catastrophic policy and for long-term care premiums and expenses. Taxes and penalties on all other withdrawals.

No provision.

No provision.

Insurance Reforms

Health plans (including self-insured plans) must *guarantee issue and renewability* of insurance.

No pre-existing condition exclusion permitted for an initial open season. For people who are continuously insured, pre-existing conditions must be covered. People who are not continuously insured can face pre-existing condition exclusions of up to six months (if enrolling as part of a group), or one year (if enrolling as an individual, and not as part of a group).

Health plans (including self-insured plans) must *guarantee issue and renewability* of insurance.

No pre-existing condition exclusion permitted for an initial open season. For people who are continuously insured, pre-existing conditions must be covered. People who are not continuously insured can face pre-existing condition exclusions of up to six months. No pre-existing condition exclusions for people eligible for full subsidies.

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No pre-existing condition exclusion permitted for an initial open season. For people who are continuously insured, pre-existing conditions must be covered. People who are not continuously insured can face pre-existing condition exclusions of up to six months.

DOLE/PACKWOOD

No pre-existing condition exclusion for pregnancy or newborns.

Community rating areas set by state. Must have minimum **250,000 population**.

Modified community rating for non-workers and firms with **50 or fewer** employees.

No prohibition on self-insurance. However, firms with 50 or fewer employees must carry stop-loss.

Premiums vary only by age, geography and family size. Limits variation in premiums based on age (allows a **4:1 variation for the first three years; 3:1 thereafter**). Discounts for health-promoting activities available.

CLINTON/MITCHELL

No pre-existing condition exclusion for pregnancy or newborns.

Community rating areas set by state. Must have minimum **250,000 population**.

Modified community rating for non-workers and firms with **500 or fewer** employees.

Self-insurance prohibited for firms with 500 or fewer workers.

Premiums vary only by age, geography and family size. Limits variation in premiums based on age (allows a **2:1 variation**) until 2002 when "flat" community rating takes effect.

CHAFEE GROUP

No pre-existing condition exclusion for pregnancy.

Community rating areas set by state. Must have minimum **100,000 covered lives**.

Modified community rating for non-workers and firms with **100 or fewer** employees.

Self-insurance prohibited for firms with 100 or fewer employees.

Premiums vary only by age, geography and family size. Limits variation in premiums based on age (allows a **2:1 variation**).

DOLE/PACKWOOD

CLINTON/MITCHELL

CHAFEE GROUP

Taxes

No new taxes or tax increases.

Contains *17 new taxes or tax increases*, including:

- A *1.75 percent excise tax* on all health insurance premiums for insured and self-insured plans.
- A *25% excise tax/premium cap on "high cost" health plans*.
- An *increase in tobacco taxes*, including a phased-in 45 cents per pack increase in cigarette taxes.

Contains the following *new taxes or tax increases*:

- No provision.
- *Tax cap* (beginning in 1997) on employer deduction for health coverage in excess of 110 percent of average premium for community-rated areas (see also "Spending Controls"). For experience-rated premiums, employer chooses either:
(1) 110 percent of average premium community-rated area, or (2) 1997 actual experience-rated premium (no adjustment for future inflation) as base for calculating future deductions. Supplemental policies covering copayments and deductibles not deductible.
- *Tobacco tax increase* (open issue).

DOLE/PACKWOOD

CLINTON/MITCHELL

CHAFEE GROUP

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|--|--|
| <ul style="list-style-type: none"> ● <i>Elimination of tax exclusion</i> for accident and health benefits provided through <i>cafeteria plans and flexible spending accounts</i>. | <ul style="list-style-type: none"> ● <i>Tax employees</i> on health benefits provided through <i>flexible spending arrangements</i>. |
| <ul style="list-style-type: none"> ● Increase in <i>Medicare Part B premiums</i> for beneficiaries with incomes over \$80,000 (\$100,000 for couples). | <ul style="list-style-type: none"> ● Increase in <i>Medicare Part B premiums</i> for beneficiaries with incomes above \$75,000 (\$100,000 for couples.) |
| <ul style="list-style-type: none"> ● <i>Impose 2.9% HI tax</i> on and extend Medicare coverage to all state and local government employees. | <ul style="list-style-type: none"> ● <i>Impose 2.9% HI tax</i> on and extend Medicare coverage to all state and local government employees. |
| <ul style="list-style-type: none"> ● <i>15.3% payroll tax increase</i> on income of certain S-corporation shareholders and limited partners. | <ul style="list-style-type: none"> ● No provision. |
| <ul style="list-style-type: none"> ● <i>Repeal special tax rules</i> applicable to Blue Cross Blue Shield organizations. | <ul style="list-style-type: none"> ● No provision. |
| <ul style="list-style-type: none"> ● <i>Modification of the exclusion (i.e., employee "tax cap")</i> on value of employer-provided health insurance. | <ul style="list-style-type: none"> ● <i>Tax cap</i> (beginning 2000) on employee exclusion for supplemental policies covering copayments and deductibles. |

DOLE/PACKWOOD

CLINTON/MITCHELL

CHAFEE GROUP

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|---|--|---|---|
| ● | <i>10,000% excise tax</i> on certain handgun ammunition. | ● | No provision. |
| ● | <i>Limit on deductibility</i> of payments for health insurance in advance. | ● | No provision. |
| ● | <i>Tighten rules</i> regarding tax-exempt health care organizations and providers. | ● | No provision. |
| ● | Impose <i>new excise taxes</i> on tax-exempt organizations for cases of private inurement. | ● | No provision. |
| ● | <i>Increase in penalties</i> for failure to file correct information returns with respect to non-employees. | ● | No provision. |
| ● | Stretch out deduction for <i>retiree health benefits</i> . | ● | No provision. |
| ● | <i>Loss of tax deduction</i> for employer-sponsored plans that:
-- Violate voluntary contribution rules established in the bill. | ● | <i>Loss of tax deduction</i> if plan does not meet insurance market reforms. |

DOLE/PACKWOOD

CLINTON/MITCHELL

CHAFEE GROUP

-- Discriminate on the basis
of health status.

- *Risk adjustment assessment* on
experience-rated plans.

- No provision.

New state tax: 1% state-allowed
premium tax to pay for new
administrative expenses.

No provision.

**Other
Financing**

Medicare and Medicaid savings
(amount unknown). Target \$100 billion
over 5 years (\$60 billion Medicare, \$40
billion Medicaid).

Medicare and Medicaid savings
totalling \$ billion over ten years (\$300
billion Medicare, \$790 billion
Medicaid).

Medicare and Medicaid savings (fluid -
- dependent on preliminary CBO
numbers). Target: \$383 billion over
10 years.

	DOLE/PACKWOOD	CLINTON/MITCHELL	CHAFEE GROUP
Subsidies	<p>Provides <i>premium subsidies</i> to</p> <ul style="list-style-type: none"> ● People with incomes <i>below 150% of poverty</i> for the purchase of the standard plan. Subsidies phased in subject to the availability of funds. -- Below 100% of poverty <i>full subsidies</i>. -- No provision. ● No provision. 	<p>Provides <i>premium subsidies</i> to:</p> <ul style="list-style-type: none"> ● People with incomes of <i>up to 200% of poverty (300% for children and expectant mothers)</i>. -- Below 100% of poverty (below 185% of poverty for children and expectant mothers) <i>full subsidies</i>. -- Former non-cash Medicaid eligibles, who are eligible for <i>full subsidies for six months</i>. ● <i>Unemployed people</i> -- potentially eligible for subsidies for up to six months. 	<p>Provides <i>premium subsidies</i> to:</p> <ul style="list-style-type: none"> ● People with incomes <i>up to 200 percent of poverty (240% for children and expectant mothers)</i>. -- Below 100% poverty line (185% for children and expectant mothers) <i>full subsidies</i>. Phased in by 2004 (1999 for children and expectant mothers). (Fluid -- depends on CBO estimates). -- No provision. ● No provision.

DOLE/PACKWOOD

CLINTON/MITCHELL

CHAFEE GROUP

Built into benefit package design.

Provides *cost-sharing subsidies* to AFDC recipients and to people under 150 percent of poverty who cannot buy a lower or combination cost-sharing plan.

No provision.

Medicaid

Integrates AFDC and non-cash Medicaid recipients into low-income subsidy program by 2000. Capped entitlement for supplemental benefits. States make maintenance of effort payments.

Integrates AFDC and non-cash Medicaid recipients into low-income subsidy program by 1997. Medicaid remains for supplemental benefits. States make maintenance of effort payments.

State option to enroll Medicaid recipients in *Medicaid managed care*.

Deductibility for Self-Employed and Individuals

Full deductibility of health insurance premiums for self-employed and for people who do not have employer-paid coverage phased in by 2000, subject to the availability of funds.

50% deductibility of premiums for standard benefit package for self-employed beginning in 1996.

Full deductibility (phased-in) of health insurance premiums for self-employed and people who do not have employer-paid coverage. Deduction limited to 110% of average cost of premium in community rating area. (Fluid -- depends on CBO estimates).

No provision.

Caps premiums of employers who expand coverage to all their employees in a specific class (i.e., full-time, part-time) at the lesser of 50 percent of premium or 8 percent of each newly-insured employee's wages.

No provision.

DOLE/PACKWOOD

CLINTON/MITCHELL

CHAFEE GROUP

**Spending
Controls**

No government controls on health care prices or insurance premiums.

"Fast track" Congressional consideration of cost controls if National Health Care Commission finds, for any year beginning in 1999, that fewer than 35% of those eligible to enroll in the community-rated areas can obtain coverage at prices at or below the target premium for the area.

No provision.

No provision.

Imposes a *tax on health plans* whose premiums exceed a government-specified target cost, effective 1996.

Tax cap on employers and employees.

"Fail-Safe" budget mechanism to ensure that low-income subsidies, tax deductibility of insurance premiums for people without employer-sponsored coverage, and contributions to medical savings accounts do not exceed projections written in statute, result in a deficit increase.

"Fail-Safe" budget mechanism with annual baseline set in President's budget, beginning in FY 97. If the updated baseline exceeds the initial baseline, reform spending (with the exception of subsidies for pregnant women and children) would be cut back. Such sequesters would be suspended during recession.

"Fail-Safe" budget mechanism to ensure low-income subsidies and tax-deductibility of insurance premiums for the self-employed and people without employer-paid coverage do not exceed spending projections less \$100 billion (over 10 years) for deficit reduction. Calls for automatic spending cuts and/or tax increases if spending exceeds projections written in statute.

DOLE/PACKWOOD

CLINTON/MITCHELL

CHAFEE GROUP

**New
Bureaucracy**

None.

Creates *new federal bureaucracies*, including four new trust funds, a National Health Care Cost and Coverage Commission, a National Health Benefits Board, a National Quality Council, Commission on Workers Compensation Medical Services and National Council on Graduate Medical Education.

Creates a *National Health Commission*.

**Federal
Regulation of
Health Plans**

Secretary of HHS to develop minimum guidelines pertaining to quality assurance, consumer protections, access, and financial standards. Directs HHS Secretary and Attorney General to jointly establish and coordinate all-payer fraud and abuse rules. States enforce standards.

All health plans (including self-insured plans) subject to *Federal requirements* with respect to quality and consumer performance measures. Enforced by states against health plans (including self-insured plans) that operate only in one state.

Federal standards relating to insured plans' certification, quality assurance, etc. set through the following: (1) The Secretary of HHS; (2) the National Health Care Commission; and, (3) statute. Enforced by states.

Department of Labor sets and enforces standards for self-insured plans.

Department of Labor enforces standards against multi-state plans.

Department of Labor sets and enforces standards for self-insured plans.

Preempts state *anti-managed care laws*.

Preempts state *anti-managed care laws*.

Preempts state *anti-managed care laws*.

No provision.

Plans required to contract with *essential community providers*.

Plans required to contract with *essential community providers*.

DOLE/PACKWOOD

CLINTON/MITCHELL

CHAFEE GROUP

Purchasing Cooperatives

Neither requires nor prohibits development of purchasing cooperatives.

States may certify more than one HIPC for each such area.

Neither requires nor prohibits development of purchasing cooperatives.

HIPCs are responsible for entering into agreements with plans and employers; enrolling individuals in plans; collecting and distributing premium payments; coordinating out-of-area coverage with other HIPCs; and providing consumer information on plans' quality and cost.

FEHBP

Allows *self-employed and small employers (2-50 workers)* to purchase *FEHBP* health benefit plans at the same price as federal workers, plus an administrative fee.

One cooperative in every area designated as *FEHBP cooperative* to serve Federal workers living in the area. If no cooperative exists, OPM sets up and runs a cooperative. Federal employees kept in separate rating pool until 2005.

Local FEHBP plans available to non-Federal employees at community rate. National FEHBP plans not available to non-Federal employees. Federal employees kept in separate rating pool.

MEWAs and Association Plans

Allows *current and new* association plans and MEWAs. Both types of plans must meet new non-discrimination rules. All plans can continue to offer experience-rated plans.

Effectively *terminates* most association plans and MEWAs.

Grandfathers association plans in existence at least 3 years, and MEWAs in existence at least 18 months. Grandfathered plans can continue to offer experience-rated plans. Both types of plans must meet new non-discrimination rules. New association plans must meet most requirements of purchasing cooperatives.

	DOLE/PACKWOOD	CLINTON/MITCHELL	CHAFEE GROUP
Malpractice	<i>Caps non-economic damages at \$250,000.</i>	No provision.	<i>Caps non-economic damages at \$250,000, indexed for inflation.</i>
	<i>Several liability</i> for non-economic and punitive damages.	No provision.	<i>Several liability</i> for non-economic and punitive damages.
	Sliding scale limits on <i>attorney fees</i> .	Sliding scale limits on <i>attorney fees</i> .	Sliding scale limits on <i>attorneys fees</i> .
	<i>Periodic payments</i> for damages of over \$100,000.	<i>Periodic payment</i> of damages.	No provision.
	No provision.	Mandatory state-based <i>alternative dispute resolution (ADR)</i> .	Requires non-binding <i>alternative dispute resolution (ADR)</i> .
	<i>Collateral sources</i> should be deducted from award to plaintiff.	No provision.	No provision.
	<i>Statute of limitations</i> on malpractice claims.	No provision.	20 year <i>statute of limitations</i> .
	<i>"Clear and convincing"</i> standard for "first-seen" obstetric cases.	No provision.	No provision.
	No provision.	No provision.	<i>No pre-emption of state laws</i> to extent such laws impose greater restrictions on attorneys fees or liability, or permit additional defenses to malpractice actions.

DOLE/PACKWOOD

CLINTON/MITCHELL

CHAFEE GROUP

**Claims
Disputes**

Treated *same as Health Care Liability Action*. Go to court, same rules as malpractice. States and plans may have own claims procedures.

Specific requirements for plans' handling of claims. States must have complaint review office, provide hearings, and civil money penalties. Mediation and court review.

Handled by third party in Federally-run expedited process. Appeal to Federal court. Plans may have alternative binding arbitration.

Anti-Trust

Expedited reviews established. Anti-trust clarifications requested from Department of Justice and Federal Trade Commission.

Repeals McCarran-Ferguson with respect to business of health insurance.

No provision.

**Early
Retirees**

No provision.

No provision.

No provision.

**Single
Payer**

No provision.

States may operate *single payer systems*.

States may operate *single payer systems* that allow large multi-state employers (with 5000 or more employees) to opt out.

**Workers
Comp and
Auto
Insurance**

No provision.

Commission on Workers Compensation medical services to report to Congress on integration of workers comp. Demonstration projects. *Coordination* of auto insurance medical payments.

No workers compensation provision. *Coordination* of auto insurance medical payments.

DOLE/PACKWOOD

CLINTON/MITCHELL

CHAFEE GROUP

Long Term Care

No new entitlement program. Expand home- and community-based services under Medicaid.

Creates a *new capped entitlement program* providing home- and community-based services to people with disabilities, regardless of age or income. The program is expected to cost \$48 billion over ten years (1995-2004).

Establishes *new capped entitlement program* for the elderly with income below 150% of poverty and the disabled. The program is expected to cost \$10 billion over 7 years (1998-2004).

Provides the following *tax clarification* of treatment of long-term care expenses and insurance:

- Excludes from income *amounts received under a long-term care contract*.
- *Employer-provided* long-term care benefits are excluded from employee income.
- Excludes from income *amounts received under a long-term care contract*.

Requires long-term care policies to meet certain *consumer protection standards*, as a condition for tax deductibility.

Treats long-term care services and insurance premiums as *medical expenses for tax purposes*.

Establishes *new Federal standards for long-term care insurance policies*. Standards are not linked to tax clarification.

Provides the following *tax clarification* of treatment of long-term care expenses and insurance:

- Excludes from income *amounts received under a long-term care contract*.
- *Employer-provided* long-term care benefits are excluded from employee income.
- Excludes from income *amounts received under a long-term care contract*.

Requires long-term care policies to meet certain *consumer protection standards*, as a condition for tax deductibility.

DOLE/PACKWOOD

Excludes certain *accelerated death benefits* from taxable income.

Permits long-term care riders to life insurance policies.

Provides *tax credits for the cost of personal assistance* services for people with disabilities who are employed.

No provision.

CLINTON/MITCHELL

Excludes certain *accelerated death benefits* from taxable income.

Permits long-term care riders to life insurance policies.

Provides *tax credits for the cost of personal assistance* services for people with disabilities who are employed.

Creates a *Federally-sponsored nursing home insurance program* called "Life Care" which would offer long-term care policies covering \$30,000, \$60,000 or \$90,000 of asset protection. Individuals ages 35 and older can buy these policies, with open seasons at 10-year intervals. Prior to implementing "Life Care," the Secretary of HHS must study the cost of premiums, projected enrollment and projected utilization of this program, and report to Congress.

CHAFEE GROUP

Excludes certain *accelerated death benefits* from taxable income.

Permits long-term care riders to life insurance policies.

Provides *tax credits for the cost of personal assistance* services for people with disabilities who are employed.

No provision.

DOLE/PACKWOOD

CLINTON/MITCHELL

CHAFEE GROUP

Underserved Areas

Establishes safeguards to *enhance access to local health services* and practitioners for vulnerable populations.

Funding and tax breaks to assist providers and health plans to *establish networks in underserved areas*.

Funding to *increase primary care capacity* in medically underserved areas.

More *flexible rules for Medicare providers* in underserved areas.

Provides new or additional funding for public health programs, including: core public health grants, health promotion and disease prevention, mental health and substance abuse, comprehensive school health education, school-related health services, domestic violence and women's health, occupational safety and health, border health improvement, WIC and Indian Health Service.

Provides grants for:

- *The development of community health networks* and certified health plans;
- *Operating assistance for community health networks* and certified health plans to improve access to care; and
- *Capital assistance* for the acquisition, modernization, conversion, and expansion of facilities and equipment purchases.

Block grants to states for underserved areas.

Grants, loans and tax breaks to establish health plans, networks, and primary care services, with priority funding to consortia that include certain providers (e.g., Federally-qualified health centers).

More *flexible rules for Medicare providers* in underserved areas.

DOLE/PACKWOOD

CLINTON/MITCHELL

CHAFEE GROUP

**Health
Professionals**

No provision.

Establishes independent *Advisory Commission on Workforce* to issue reports on specific questions of workforce policy and payment. The Commission also will explore ways to establish a broader base (complementing Medicare dollars) to fund graduate medical education, research and teaching hospitals.

No provision.

Imposes a *new tax of 1.75% on all health insurance premiums.*

Establishes a *professional workforce policy* to:

- Phase in *primary care residency positions* from 39% in 1998 to 55% in 2001 (currently, only 30% of residencies are in primary care);
- *Reduce the total number of residency positions* from 134% of US medical school graduates in 1998 to 110% in 2001 (the current figure is 140%);
- Create a *National Council on Graduate Medical Education* to implement these policies; and
- Provide *transitional funding to residency programs* which reduce their number of residency positions.

Creates a *Biomedical and Health Services Research Fund.*

0.6% tax on all health insurance premiums.

No provision.

No provision.

SENATOR KERRY

TO: Senator Dole
FR: Kerry

RE: Background on John Kerry

*Kerry is 51 years old, and was born in Denver, Colorado. He is a graduate of Yale and Boston College. Kerry is a Vietnam veteran, and first one fame as one of the organizers of Vietnam Veterans Against the War.

*He was elected Lt. Governor of Massachusetts in 1982, and Senator in 1984, defeating Ray Shamie. He was re-elected in 1990, defeating Jim Rappaport with 57% of the vote.

*Committee memberships are: Banking; Commerce; Foreign Relations; Small Business, and Intelligence.

*Like you, Kerry is a frequent guest on the Imus program.

*You may want to point out that even Senator Kerry's Massachusetts is experiencing a Republican tide.

*Massachusetts is going to re-elect a Republican Governor, a Republican Lt. Governor, a Republican State Treasurer...and the good news for Senator Kerry is that after November, he may be the Senior Senator from Massachusetts.

**SENATOR BOB DOLE
REMARKS PREPARED FOR DELIVERY
NEW HAMPSHIRE GOP CONVENTION
SEPTEMBER 25, 1994**

The first thing I want to do this morning is to thank New Hampshire for sending two outstanding Senators to Washington, D.C.

No one has done a better job of fighting the Clinton effort to gut our national defense than Bob Smith. He's tough. He's no nonsense. And he gets things done. And a lot of people are talking about another race here in New Hampshire in 1996--but the most important priority in 1996 is re-electing Bob Smith.

And Judd Gregg is one of the unsung heroes of the health care debate. Republican Senators were all assigned to teams having to do with various issues of the debate. We had a bureaucracy team. We had a mandate team. And we had many others. And these teams were tasked with making the Republican case, and responding to Democrat arguments. Judd was the coordinator of all the teams, and during the days we debated the Mitchell bills, he was never far from the Senate floor. And he did an outstanding job.

As a I meet with candidates in Washington and travel across the country campaigning, I see a lot of survey and poll numbers. Now, I've been a little bit skeptical about surveys ever since my pollster whistled "Hail to the Chief" to me here in New Hampshire...but when you survey after survey after survey saying the same thing, you begin to believe.

And the surveys I've seen in the past few weeks, in ever section of the country, are all bringing good news to Republicans. Republican candidates are not only ahead in the races where we should be ahead; but we're also ahead in races which we thought would be very close, and we're even ahead or close in races that we had all been written off.

And as I look at the surveys, one number comes to my mind. The number 47. A gain of 40 seats in the House, and a gain of 7 seats in the Senate, will give Republicans control of the Congress for the first time in 40 years. And when Charlie Bass is elected in New Hampshire, that number will be 46. And when Olympia Snowe wins that Senate race in Maine, that number will be 45.

There's a lot of reasons why the numbers are going our way. And one reason can be seen in the fact that, according to one recent survey, 70% of Americans believe America is moving in the wrong direction.

NEW HAMPSHIRE SPEECH

And no doubt about it, under the Clinton administration, America is moving in the wrong direction in just about every area you can name.

Taxes? President Clinton's direction is one that involved the biggest tax increase in American history.

Government? Despite the talk of reinventing government, President Clinton is moving in the direction of unrelenting government. More bureaucrats. More mandates. More regulation. More control for those who work in Washington, D.C., and less control for those who live and work in New Hampshire.

Health care? You know the direction the President was recommending. A direction where the best health care system in the world would be torn apart and turned over to the federal government.

By the way, like all Senators, I received thousands and thousands of letters on health care. But the best one I saw was one from Judd Gregg passed on to me. It was so good, I read it to the Senate during my opening statement of the health care debate.

It was from Dr. John Schermerhorn, a doctor here in New Hampshire. And he detailed how his son almost drowned, and might not have made it without the outstanding medical care he received--medical care he might not have received under the Clinton bill.

And Dr. Schermerhorn concluded his letter by writing,

"The choice comes down to a simple question: If you were in my place, would you want the freedom to determine your child's care and outcome, or would you rather be forced to accept whatever the government will give you..."

Quality. Choice. Freedom. Americans correctly concluded that all three of those hallmarks of our health care system would be lost if the President's plan was adopted.

Crime is another area where President Clinton and the Democrat congress moved in the wrong direction. Their plan was to throw billions and billions of dollars at social programs, and to strip the bill of many of its toughest provisions.

And can anyone here look at the foreign policy of the Clinton administration and say we're headed in the right direction?

To paraphrase Forrest Gump, the "Clinton health care plan is like a box of chocolates--you never know what you're going to get next."

One day, those in charge in Haiti are bloodthirsty, murdering, tyrants. The next day, they're just honest public servants who care about their country.

One day, we talk tough on Bosnia. The next day we sit idly by as the slaughter continues.

One day, our mission in Somalia is preventing starvation. The next day it's nation building, and American soldiers are being shot.

One day, President Clinton is in charge of our foreign policy, the next day it's Boutros Boutros Ghali, and the next day, it's Jimmy Carter.

So, yes, Republicans are being helped by the Clinton Administration. We're being helped because 7 out of 10 Americans believe the President is moving America in the wrong direction. And they're right.

And there are some who have suggested that all Republicans need to do in the next 44 days is nothing. Do nothing. Sit still, and let President Clinton send voters our way.

I disagree. I think Republicans have to do more. It's not good enough just to say President Clinton and the Democrats are taking us in the wrong direction. We also have to lay out what the right direction is, and how Republicans will get us there.

And that's just what the Senate Republicans did last week. We had a little meeting outside the Capitol of Republican senators seeking re-election, and our candidates in open seats and in Democrat seats.

And we made a little compact with the American people. We said if you give us seven more Republicans in the Senate, here are seven things we pledge to make our top priorities. And we listed those seven initiatives:

- *A balanced budget amendment

- *Doubling the income tax exemption for children, thereby putting more money in the pockets of America's families.

- *Repealing the Clinton tax increase on Social Security benefits.

*Health care reform that fixes what needs to be fixed, while maintaining the quality and choice that are the hallmarks of our system.

*True anti-crime legislation that is based on prisons and punishment, rather than the pork barrel.

*We'll reform welfare so that it's based on work, more individual responsibility, and less federal spending.

*And we'll stop the gutting of our national defense.

Those are just seven ideas which we work for, and which will put America on the right track. And I can think of some more, like a line item veto, and like a reduction in the capital gains tax rate.

So that's the compact that we've made with the American people. And I know that Newt Gingrich, Charlie Bass, and Bill Zeliff will be making their own compact this coming week.

Which reminds me that another idea worth putting on top of our agenda is something like Bill Zeliff's A to Z spending reduction plan. And I would love to see Bill Zeliff leading the fight for that plan as a member of the majority party in the House.

Let me tell you another reason why Republicans can't just sit on the sidelines. Why we have to get out and let Americans know what we'd do if we had a majority in Congress.

And that's the fact that many Americans don't know that Congress is controlled by the Democrats. In fact, a recent survey asked Americans to name the party in control of Congress. And only 60% said the Democrats. 40% said the Republicans, or said they didn't know.

Now, I know 100% of this audience knows the Democrats are in control....so there are an awful lot of your friends and neighbors who are confused...and who need to know that the Democrats have controlled the House for the last 40 years, and the Senate for 34 of the last 40 years.

And the message I'll be taking from end of the country to the other over the next 44 days, is that the best way to get America to change direction, is to change the party that controls Congress.

Let me end this afternoon by giving you a little "insider's briefing" about the gains we hope to make in the Senate.

I have three put three Republican gains in the bank. Olympia Snowe in Maine. John Kyl in Arizona. And Mike DeWine in Ohio.

After that, we are looking to Virginia, where the first survey after Doug Wilder dropped out put Ollie North in the lead. And then there's California where our candidate has come from nowhere to neck and neck. And there's Massachusetts, where Mitt Romney is giving Ted Kennedy the race of his career. And there's two races in Tennessee. Jim Sasser, one of the most liberal Democrats in the Senate, is so scared, he's running ads that make you think he votes just like Jesse Helms. And there's Pennsylvania, where Democrat Harris Wofford is trying to make voters forget he was the strongest supporter of the Clinton health plan. And there's Michigan where Spence Abraham is moving ahead of a very liberal Democrat Congressman.

We're also optimistic about our chances in Governor's races...There's no doubt that Steve Merrill has done an outstanding job, and more than deserves a second term...And we're also looking at gains in New York, Florida, Pennsylvania, and maybe even Texas and Georgia. In fact, after November, there is a chance that 11 of our 12 largest states will have Republican Governors.

Thank you for all you are doing for Republicans here in New Hampshire. And thank you for all you will do in the next 44 days. Working together, we can change directions, and put America back on track.

POLLS

**TIMES MIRROR CENTER FOR THE PEOPLE AND THE PRESS
NEW POLITICAL LANDSCAPE SURVEY**

-- TOPLINE RESULTS --

N= 3,800 18+ nationwide (Main Sample, includes an oversample of 197 black adults)
1,009 18+ nationwide (Supplemental Sample)

Field period: 7/12-25/94 (Main Sample)
7/13-27/94 (Supplemental Sample)

NOTE: Unless otherwise indicated, results are based on the Main Sample of 3,800 interviews.

1. Do you approve or disapprove of the way Bill Clinton is handling his job as president?

		Mar 1994	Jan 1994	Early Jan 1994	Dec 1993	Oct 1993	Early Sept 1993	Sept 1993	Aug 1993	June 1993	May 1993	April 1993	Feb 1993
45	Approve	45	51	48	48	44	49	43	39	39	45	49	56
46	Disapprove	42	35	35	36	42	35	43	46	43	37	29	25
<u>9</u> 100	DK/Refused	<u>13</u> 100	<u>14</u> 100	<u>17</u> 100	<u>16</u> 100	<u>14</u> 100	<u>16</u> 100	<u>14</u> 100	<u>15</u> 100	<u>18</u> 100	<u>18</u> 100	<u>22</u> 100	<u>19</u> 100

2. Do you (approve/disapprove) very strongly, or not so strongly?

		⁴ Reagan <u>6/83</u>	Carter <u>4/78</u>
45	Approve		
18	Very strongly	21	14
27	Not so strongly	26	34
46	Disapprove		
17	Not so strongly	15	22
29	Very strongly	29	17
<u>9</u> 100	Don't know/Refused	<u>9</u> 100	<u>13</u> 100

⁴ Trends are from The Gallup Poll

Q.3 THROUGH Q.10: BASED ON REGISTERED VOTERS

3. Suppose the 1996 presidential election were being held TODAY, and the candidates were Bill Clinton, the Democrat; Bob Dole, the Republican; and Ross Perot, an Independent. Who would you vote for?
4. As of TODAY, do you LEAN most to Clinton, the Democrat; Dole, the Republican; or Perot, the Independent?

RESULTS INCLUDE LEANERS

39 Clinton
36 Dole
20 Perot
5 Undecided/Other
100

Q'S 5/6 BASED ON HALF SAMPLE A (N=1440)

5. Suppose there were only two major candidates for president and you had to choose between Bill Clinton, the Democrat, and Bob Dole, the Republican. Who would you vote for?
6. As of TODAY, do you LEAN more to Clinton, the Democrat; or Dole, the Republican?

RESULTS INCLUDE LEANERS

46 Clinton
49 Dole
5 Undecided/Other
100

Q'S 7/8 BASED ON HALF SAMPLE B (N=1449)

7. Suppose there were only two major candidates for president and the Republican Party nominated Colin Powell. If you had to choose between Bill Clinton, the Democrat, and Colin Powell, the Republican, who would you vote for?
8. As of TODAY, do you LEAN more to Clinton, the Democrat; or Powell, the Republican?

RESULTS INCLUDE LEANERS

41 Clinton
51 Powell
8 Undecided/other
100

ASK ALL:

9. If the 1994 elections for U.S. Congress were being held TODAY, would you vote for the Republican Party's candidate or the Democratic Party's candidate for Congress in your district?

10. As of TODAY, do you LEAN more to the Republican or the Democrat?

45 Republican

47 Democrat

8 Undecided/Other
100

11. Now I'd like your views on the state of the nation... All in all, are you satisfied or dissatisfied with the way things are going in this country today?

		Mar 1994	Oct 1993	Sept 1993	June 1993	Jan 1993	Jan 1992	Nov 1991	May 1990	Feb 1989	Oct 1988	May 1988	Jan 1988
24	Satisfied	24	22	20	22	39	28	34	41	45	56	41	39
73	Dissatisfied	71	73	75	71	50	68	61	54	50	40	54	55
<u>3</u> 100	No Opinion	<u>5</u> 100	<u>5</u> 100	<u>4</u> 100	<u>7</u> 100	<u>11</u> 100	<u>4</u> 100	<u>5</u> 100	<u>5</u> 100	<u>5</u> 100	<u>4</u> 100	<u>5</u> 100	<u>6</u> 100

12. What do you think is the most important problem facing this country today?

		June 1994	Mar 1994	Dec 1993	Sept 1993	June 1993	April 1993	Jan 1992	May 1990	Feb 1989	April 1987
26	Crime/Gangs/Justice system	22	31	25	15	7	5	3	7	8	3
14	Health care (cost/accessibility)	20	14	14	12	11	13	3	3	1	*
12	Unemployment/Lack of jobs	12	12	15	23	19	18	22	7	9	13
9	Morality/Ethics/Family values	10	10	6	8	7	3	3	5	2	3
3	Drugs/Alcohol	6	10	8	5	5	4	4	37	23	6
4	Dissatisfaction with government/Politics	5	5	2	5	5	3	2	2	1	0
5	Deficit/National debt/Balanced budget	4	5	6	9	13	17	4	11	19	12

12. CONTINUED....

		June 1994	Mar 1994	Dec 1993	Sept 1993	June 1993	April 1993	Jan 1992	May 1990	Feb 1989	April 1987
3	Education	4	5	5	4	5	2	2	4	4	0
5	Economy (general)	4	4	6	9	17	18	43	5	4	7
2	Taxes	1	3	2	3	4	4	1	3	2	0
1	Racism	1	3	1	3	2	3	1	2	0	0
4	Homeless	2	3	5	2	5	2	6	8	10	*
3	Poverty	2	2	3	2	3	3	1	3	4	6
2	Inflation/Difference between wages/Costs	*	2	2	2	2	2	2	3	2	3
2	Too much foreign aid/ Spend money at home	1	2	1	*	2	2	1	3	1	0
1	Environment/Pollution	1	2	1	1	*	2	1	8	2	0
2	Welfare abuse	4	2	*	*	*	*	*	*	*	*
1	AIDS	2	2	*	*	*	*	*	*	*	*
*	Issues related to elderly Other Social Issues	* 0	1 *	1 3	* 4	2 *	2 *	1 *	2 *	2 *	0 *
3	Other domestic	1	1	3	1	2	1	10	11	10	21
2	Other international	4	1	2	3	3	1	4	6	10	22
6	Other	2	2	*	2	4	8	1	5	9	1
3	Don't know/No answer	5	4	6	4	2	4	3	1	3	3
26	ECONOMIC (NET)	22	26	33	47	53	58	76	26	28	35
7	POVERTY/HOMELESS (NET)	4	6	*	*	*	*	*	*	*	*
7	DEFENSE/INTER- NATIONAL (NET)	4 (511)	2 (989)	* (1479)	4 (2000)	* (1507)	* (1011)	* (1220)	* (3004)	* (2048)	* (4244)

13. Which political party do you think can do a better job of handling the problem you just mentioned -- the Republicans or the Democrats?

		Mar 1994	June 1993	Jan 1992 ⁵	May 1990	May 1988	Jan 1988	May 1987
36	Republicans	29	28	32	29	26	30	28
33	Democrats	29	35	41	30	38	35	38
16	No difference (VOL)	26	23	12	31	22	24	24
<u>15</u> 100	Don't know	<u>16</u> 100	<u>14</u> 100	<u>15</u> 100	<u>10</u> 100	<u>14</u> 100	<u>11</u> 100	<u>10</u> 100

14. In the future, which ONE of the following items should President Clinton give the highest priority to...(READ LIST)

		Mar 1994	Jan 1994	Dec 1993
23	Improving the job situation	26	26	28
15	Reforming health care	16	14	14
24	Reducing crime	23	22	20
15	Reforming the welfare system, OR	12	15	11
21	Reducing the budget deficit?	20	20	22
<u>2</u> 100	Don't know/Refused	<u>3</u> 100	<u>3</u> 100	<u>5</u> 100

⁵Based on registered voters.

15. I'd like you to rate the way Bill Clinton is handling his job in some specific areas. (First,) do you approve or disapprove of the way Clinton is handling... **(READ AND ROTATE)**

	<u>Approve</u>	<u>Disapprove</u>	<u>Don't Know</u>
a. Economic conditions in this country	38	56	6=100
b. Foreign policy	38	53	9=100
c. Race relations	57	27	16=100

ITEMS d-f BASED ON HALF SAMPLE A (N=1899)

d. The federal budget deficit	31	58	11=100
e. Crime	35	55	10=100
f. The jobs situation	40	52	8=100

ITEMS g-i BASED ON HALF SAMPLE B (N=1901)

g. Relations with Russia	62	22	16=100
h. Health care policy	39	54	7=100
i. Welfare reform	38	50	12=100

Q.16 BASED ON HALF SAMPLE A (N=1899)

16. As I read some pairs of opposite phrases, tell me which ONE best reflects your impressions of Bill Clinton so far. (First,) does Bill Clinton impress you as... **(READ AND ROTATE)**

			Dec 1993	Aug 1993	Jan 1993
a.	46	Trustworthy or-	56	56	63
	49	Not trustworthy	35	37	29
	2	(DO NOT READ) Neither particularly	3	2	3
	<u>3</u>	(DO NOT READ) Don't know/Refused	<u>6</u>	<u>5</u>	<u>5</u>
	100		100	100	100
b.	85	Warm and friendly or	87	87	90
	11	Cold and aloof	6	8	7
	2	(DO NOT READ) Neither particularly	3	3	1
	<u>2</u>	(DO NOT READ) Don't know/Refused	<u>4</u>	<u>2</u>	<u>2</u>
	100		100	100	100
c.	40	Able to get things done or	63	36	
	56	Not able to get things done	27	54	
	2	(DO NOT READ) Neither particularly	5	6	
	<u>2</u>	(DO NOT READ) Don't know/Refused	<u>5</u>	<u>4</u>	
	100		100	100	
d.	57	Well informed or	69	63	79
	38	Not well informed	22	30	14
	1	(DO NOT READ) Neither particularly	3	2	2
	<u>4</u>	(DO NOT READ) Don't know/Refused	<u>6</u>	<u>5</u>	<u>5</u>
	100		100	100	100
e.	42	Well Organized or	59	47	
	53	Not well organized	32	46	
	2	(DO NOT READ) Neither particularly	3	2	
	<u>3</u>	(DO NOT READ) Don't know/Refused	<u>6</u>	<u>5</u>	
	100		100	100	
f.	37	Liberal,	32	38	
	47	Middle of the road or	49	44	
	13	Conservative	12	11	
	1	(DO NOT READ) Neither particularly	2	2	
	<u>2</u>	(DO NOT READ) Don't know/Refused	<u>5</u>	<u>5</u>	
	100		100	100	
g.	36	Keeps his promises or	41	32	
	56	Doesn't keep his promises	42	53	
	3	(DO NOT READ) Neither particularly	7	8	
	<u>5</u>	(DO NOT READ) Don't know/Refused	<u>10</u>	<u>7</u>	
	100		100	100	

17. Now I'd like to ask you about some things that have been in the news recently. Not everyone will have heard about them all... Can you tell me the name of the current vice president of the United States?

		Feb
		<u>1994</u>
65	Al Gore; Gore	70
<u>35</u>	Any other person/Don't Know/Refused	<u>30</u>
100		100

18. Do you happen to know which political party has a majority in the U.S. House of Representatives?

		Feb	Sept	June	May
		<u>1994</u>	<u>1992</u>	<u>1992</u>	<u>1992</u>
60	Democratic Party	58	57	52	55
<u>40</u>	Republican Party/Don't know/Refused	<u>42</u>	<u>43</u>	<u>48</u>	<u>45</u>
100		100	100	100	100

19. Can you tell me the name of the President of Russia?

		Feb
		<u>1994</u>
46	Boris Yeltsin; Yeltsin	47
<u>54</u>	Other/Don't know/Refused	<u>53</u>
100		100

20. Of all the U.S. presidents who have been elected SINCE YOU FIRST STARTED FOLLOWING POLITICS, which ONE do you think has done the BEST job?

22 Reagan

19 Kennedy/JFK

11 Bush

8 Nixon

8 Franklin Roosevelt/FDR

7 Carter

6 Clinton

6 Truman

4 Eisenhower/Ike

1 Ford

1 Johnson/LBJ

* Other (SPECIFY)

3 None in particular/All about the same (VOLUNTEERED)

4 Don't know/Refused
100

21. I'm going to read you some pairs of statements that will help us understand how you feel about a number of things. As I read each pair, tell me whether the FIRST statement or the SECOND statement comes closer to your own views -- even if neither is exactly right. The first pair is... (READ AND ROTATE) (AFTER CHOICE IS MADE, PROBE: Do you feel STRONGLY about that, or not?)

- a. 66 Government is almost always wasteful and inefficient
54 Strongly
12 Not strongly

- 31 Government often does a better job than people give it credit for
17 Strongly
14 Not strongly

3 Neither/Don't know
100

21. CONTINUED....

- b. 41 Government regulation of business is necessary to protect the public interest
24 Strongly
17 Not strongly
- 54 Government regulation of business usually does more harm than good
39 Strongly
15 Not strongly
- 5 Neither/Don't know
100
- c. 53 Poor people today have it easy because they can get government benefits without doing anything in return
37 Strongly
16 Not strongly
- 39 Poor people have hard lives because government benefits don't go far enough to help them live decently
27 Strongly
12 Not strongly
- 8 Neither/Don't know
100
- d. 48 The government should do more to help needy Americans, even if it means going deeper into debt
35 Strongly
13 Not strongly
- 47 The government today can't afford to do much more to help the needy
32 Strongly
15 Not strongly
- 5 Neither/Don't know
100
- e. 72 The position of blacks in American society has improved in recent years
52 Strongly
20 Not strongly
- 25 There hasn't been much real progress for blacks in recent years
18 Strongly
7 Not strongly
- 3 Neither/Don't know
100

21. CONTINUED....

- f. 32 Racial discrimination is the main reason why many black people can't get ahead these days
20 Strongly
12 Not strongly
- 59 Blacks who can't get ahead in this country are mostly responsible for their own condition
43 Strongly
16 Not strongly
- 9 Neither/Don't know
100
- g. 31 Immigrants today strengthen our country because of their hard work and talents
17 Strongly
14 Not strongly
- 63 Immigrants today are a burden on our country because they take our jobs, housing and health care
49 Strongly
14 Not strongly
- 6 Neither/Don't know
100
- h. 19 Other countries generally treat the United States about as fairly as we treat them
10 Strongly
9 Not strongly
- 78 Other countries often take unfair advantage of the United States
68 Strongly
10 Not strongly
- 3 Neither/Don't know
100
- i. 36 The best way to ensure peace is through military strength
28 Strongly
8 Not strongly
- 58 Good diplomacy is the best way to ensure peace
46 Strongly
12 Not strongly
- 6 Neither/Don't know
100

21. CONTINUED....

- j. 52 We should all be willing to fight for our country, whether it is right or wrong
43 Strongly
9 Not strongly
- 45 It's acceptable to refuse to fight in a war you believe is morally wrong
35 Strongly
10 Not strongly
- 3 Neither/Don't know
100
- k. 68 Most people who want to get ahead can make it if they're willing to work hard
59 Strongly
9 Not strongly
- 30 Hard work and determination are no guarantee of success for most people
22 Strongly
8 Not strongly
- 2 Neither/Don't know
100
- l. 18 Success in life is pretty much determined by forces outside of our control
12 Strongly
6 Not strongly
- 79 Everyone has it in their own power to succeed.
67 Strongly
12 Not strongly
- 3 Neither/Don't know
100
- m. 76 Too much power is concentrated in the hands of a few large companies
59 Strongly
17 Not strongly
- 19 The largest companies do NOT have too much power
9 Strongly
10 Not strongly
- 5 Neither/Don't know
100

21. CONTINUED....

- n. 52 Business corporations make too much profit
43 Strongly
9 Not strongly
- 43 Most corporations make a fair and reasonable amount of profit
27 Strongly
16 Not strongly
- 5 Neither/Don't know
100
- o. 71 Elected officials in Washington lose touch with the people pretty quickly
58 Strongly
13 Not strongly
- 25 Elected officials in Washington try hard to stay in touch with voters back home
14 Strongly
11 Not strongly
- 4 Neither/Don't know
100
- p. 34 Most elected officials care what people like me think
18 Strongly
16 Not strongly
- 64 Most elected officials don't care what people like me think
51 Strongly
13 Not strongly
- 2 Neither/Don't know
100

7 MORE IN 94

SEVEN MORE IN '94

An Agenda for the Republican Senate Majority in the 104th Congress

"We pledge to the American people that if they empower us as a Majority in the U.S. Senate on November 8, 1994, we will dedicate ourselves to the adoption of these legislative priorities and other legislative initiatives that promote the interests of the people who do the work, pay the taxes and pull the wagon in America."

1. ENACT A BALANCED BUDGET AMENDMENT TO THE CONSTITUTION

During the past decade, the Senate has repeatedly come within a few votes of passing a Balanced Budget Amendment to the Constitution. A Republican Majority will proceed to immediate consideration of the Balanced Budget Amendment after new Senators are sworn in at noon on the 3rd day of January, 1995, and vote to make it the law of the land.

2. DOUBLE THE INCOME TAX EXEMPTION FOR CHILDREN

During the past forty years, the average American family with children has seen its federal tax burden rise from \$1 of every \$50 earned to \$1 of every \$4 earned. A Republican Majority will begin to undo this anti-family bias by doubling the income tax exemption for children from \$2,500 to \$5,000. This tax cut will let families keep more of their own money to invest in their own children, in their own future, and, in the process, invest in the future of America. Tax changes in these proposals will be paid for by spending cuts.

3. REAL HEALTH CARE REFORM BASED ON CONSUMER CHOICE AND PRIVATE MEDICINE

During the last 2 years, the American people have watched in horror as the Clinton Administration has attempted to tear down the greatest health care system in the world and remake it in the image of the Post Office. A Republican Majority will build upon the strengths of the current health system to expand access and control costs by expanding consumer choices, promoting competition, reforming medical liability laws, and reducing government paperwork and bureaucracy.

4. ENACT LEGISLATION THAT BRINGS AN END TO CRIME WITHOUT PUNISHMENT IN AMERICA

During the past several years, our bleeding Nation has watched a Congress that seems to be willing to do anything to fight crime except get tough with criminals. A Republican Majority will impose mandatory minimum prison sentences on violent felons and drug traffickers, stop building prisons as though they were Holiday Inns, and put prisoners to work. The pork barrel spending contained in President Clinton's "crime" bill will be repealed.

5. REFORM WELFARE AND EXPAND JOB OPPORTUNITIES

During the last quarter century, our welfare system doomed a generation of Americans to dependency and hopelessness while our tax policy has blocked the only sure path out of poverty -- a job. A Republican Majority will enact welfare reform based on work, more individual responsibility, and less federal spending. To encourage job creation, saving will be rewarded by enactment of the IRA-Plus bill, the capital gains tax will be reduced and taxes on assets will be indexed for inflation.

6. TAX FAIRNESS FOR RETIRED AND WORKING ELDERLY

During the Clinton Administration's first year, taxes were raised on the Social

seen as federal tax burden rise from \$1.1 billion to \$1.5 billion earned. A Republican Majority will begin to undo this anti-family bias by doubling the income tax exemption for children from \$2,500 to \$5,000. This tax cut will let families keep more of their own money to invest in their own children, in their own future, and, in the process, invest in the future of America. Tax changes in these proposals will be paid for by spending cuts.

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6. TAX FAIRNESS FOR RETIRED AND WORKING ELDERLY

During the Clinton Administration's first year, taxes were raised on the Social Security benefits of the elderly. A Republican Majority will repeal the Clinton tax increase on Social Security benefits and repeal the penalty of reduced benefits imposed on the elderly who work.

7. PROTECT NATIONAL DEFENSE

During the Democrats' control of the Senate, Congress has slashed defense to fund social programs. This trend has accelerated under President Clinton. A Republican Majority will stop the defense cuts and restore the "firewall" between defense and non-defense spending to prevent future raids on defense. Republicans are committed to the principle that even in a world where the lion and the lamb are to lie down together, America will be the lion.

CONCEPTUAL FINANCING OF THE SENATE REPUBLICAN AGENDA

5-Year Deficit Impact

Double the dependent exemption by increasing the current \$2,500 amount by \$500 each year for five years	+\$75 billion
Phase-in Republican Health Care Reform	+\$100 billion
Repeal "pork barrel" spending in Clinton crime bill	-\$5 billion
Welfare Reform & Jobs Initiative	
Reform welfare so that work is required, benefits are capped and a 2-year limit is imposed on most assistance	-\$50 billion
Phase-in reduction of tax rate on capital gains from 28% to 15% over five years	+\$10 billion
Index taxes on assets for inflation	+\$5 billion
Enact IRA-Plus bill which allows individuals to save up to \$2,000 per year where contributions are not deductible but where interest builds up and is distributed tax-free	-\$14 billion
	-\$49 billion
Tax Fairness for Elderly	
Repeal the 1993 Clinton tax hike on Social Security benefits	+\$24 billion
Phase-in 5 annual increases in the amount of wages elderly can keep without paying the Social Security earnings limit penalty from the current \$11,160 level to \$45,000 in 1999	+\$10 billion
	+\$34 billion
Restore and Protect Defense	+\$20 billion

TOTAL

+\$175 BILLION

POSSIBLE OFFSETS

5-Year Deficit Impact

Entitlement reform generating savings at least equal to all proposals made by President Clinton not yet enacted that reduce non-Social Security entitlements -\$238 billion

Freeze non-defense discretionary spending for 5 years -\$94 billion

Establish Spending Commission similar to Defense Base Closing Commission with charge of recommending for an up or down vote by Congress \$100 billion in savings -\$100 billion

TOTAL

-\$432 BILLION

DIFFERENCE:

**Potential Down Payment
on Balanced Budget-**

\$257 BILLION

BALANCED BUDGET AMENDMENT

CHALLENGE: In 1969, Neil Armstrong stepped on the moon, the New York Mets won the World Series while the Jets took the Super Bowl, and President Nixon was sworn into office. That was the last time the federal budget was in balance. Today, the federal government stands \$4.3 trillion deeper in debt, and, on our current path, has no chance of achieving balance for the next ten years or more.

PROSPECTS: Four times in the last 8 years, the Senate has rejected a balanced budget amendment by an average margin of 6 votes. A Republican Majority in the Senate virtually guarantees passage of a balanced budget amendment.

SOLUTION: Enact a Balanced Budget Amendment to the Constitution.

BENEFIT: Long-term prosperity requires fiscal prudence by the federal government. Specifically, federal borrowing crowds out private borrowing, causing higher interest rates, less economic growth, higher unemployment and, ultimately, higher inflation. Enacting a balance budget amendment will have the opposite effect on the economy.

During the decade of the 1950's, the federal government ran a surplus 3 times, and debt as a share of the economy dropped. The result was prosperity, with the economy averaging 3.9% growth, a prime rate of 2.6%, unemployment of 4.5%, and inflation of just 2.2%

During the 1960's, the federal government ran a surplus only twice but because the debt burden continued to drop, the economy still prospered.

But in the 1970's, the federal government never balanced its budget and debt as a share of the economy stopped dropping and started to rise. The economy averaged 2.8% growth, the prime rate averaged 8%, unemployment averaged 6.2%, and inflation averaged 7.4%.

During the first three years of Gramm-Rudman (1987 through 1989), the deficit and federal spending dropped as a share of GNP each year, and the debt burden as a share of the economy slowed to a crawl. As a result, the economy averaged 3.2% growth, unemployment averaged 5.6%, inflation averaged 4.4%, and the prime rate continued to drop from its double digit levels.

Strong growth, reduced inflation, minimal unemployment and low interest rates are the tangible benefits Americans can expect from a balanced budget.

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DOUBLE THE TAX EXEMPTION FOR CHILDREN

CHALLENGE: In 1950, the average family of four in America sent to Washington only \$1 for every \$50 they earned in their paycheck. Today, the average family of four must send \$1 out of every \$4 in their paycheck to Washington. Today, the average two-earner family has a federal tax burden that absorbs 2/3rds of the income of the second worker.

PROSPECTS: Tax relief for average-income families with children has been considered in the past 2 sessions of Congress. This year, the Senate rejected by just 8 votes relief for families with children.

SOLUTION: Enact an increase in the tax exemption for children from \$2,500 to \$5,000 paid for by spending cuts. Review and convert federal spending to tax exemptions for families and children where such conversion would reduce federal control and bureaucracy while enhancing the control and resources families would have to meet their own needs.

BENEFITS: In 1949, the personal exemption shielded 70% of the income of the average family of four. Doubling the personal exemption for children would protect about 25% of average family income from taxation, well below the 1949 level but the highest level of protection since 1967.

The real benefit will come when families can keep more of what they earn to invest in their own families, in their children, and, in the process, invest in the future of America.

ENACT A REAL HEALTH CARE REFORM PLAN

CHALLENGE: Private health care costs have averaged almost twice the rate of overall inflation during the past five years. While federal health care costs have averaged 23% annual growth over the past five years, about 15% of the population is still without coverage, some voluntarily but many because of cost. Current tax law and insurance rules still create "job lock" where health insurance is not portable and available only through an employer.

PROSPECTS: Because the Administration's plan of toppling our current health care system and remaking it in the image of the Post Office has been rejected by the American people, it never came up for a vote in the Congress. When the American people elect a new Congress that reflects their desire to build on the strengths of our current health care system, the Administration will have to abandon a 2-year struggle for a government takeover of health care, and we can then take care of the needs of the 15% uninsured without destroying health care for the other 85%.

SOLUTION: Senate Republicans are committed to passing a package that: makes health insurance accessible to all Americans as well as permanent and portable; reforms medical liability laws; takes care of those with pre-existing conditions; promotes competition, choice and cost containment; and targets assistance for basic health care to the needy.

BENEFITS: Health care reform that builds upon the strengths of our current system will free workers from the fear of losing insurance because they change jobs or get sick, protect families from the catastrophic cost of a serious illness, let individuals keep what they save in health care, expand the available health insurance choices and preserve the freedom to choose their own doctor and hospitals.

ENDING CRIME WITHOUT PUNISHMENT IN AMERICA

CHALLENGE: Since 1973, the rate of violent crime in America has nearly doubled from 417 violent crimes per 100,000 people to 758. During that period, the rate of aggravated assault has soared from 200 to 442 and the rate of robbery rose from 183 to 267. The reason that there is so much crime in America today is because there is so little punishment.

The most important domestic function of government is the protection of the personal security of individual Americans.

PROSPECTS: For 6 years the Democrats in Congress failed to produce an effective anti-crime bill and now, in their most recent effort, the tough anti-crime bill passed in the Senate last year has been hijacked, had its provisions providing mandatory minimum sentences for violent criminals deleted and replaced with \$5 billion in spending on more social programs.

SOLUTION: Enact a truly tough and effective anti-crime bill that contains such provisions as mandatory minimum terms of imprisonment for drug traffickers and violent criminals. Specifically, provide 10 years without release for the use of a gun in a drug trafficking crime or violent crime; no less than 20 years without release if the gun is discharged; and either life imprisonment or the penalty of death in aggravated cases if the gun is used to kill a person. The Senate had approved this provision but it was deleted from the bill that became law.

Other initiatives which should be used to deal with the violent crime emergency include a requirement that prisoners work and a directive to quit building prisons like Holiday Inns. Temporary facilities should be used as necessary to insure the incarceration of every violent felon.

BENEFIT: Stiffer sentences, without early release, for convicted violent felons is the most effective way to prevent these predator criminals from continuing to prey on law-abiding Americans. One cost-benefit analysis calculates the average annual cost of incarcerating a violent felon at \$38,000 and the average annual benefit at \$2.36 million. The cost of constructing the facilities needed to keep criminals off the street is minimal when compared to the cost that violent criminals impose on victims, their families and our society.

****NOT FOR PUBLIC DISTRIBUTION****

REFORM WELFARE AND EXPAND JOB OPPORTUNITIES

CHALLENGE: Since 1965, the U.S. has spent \$4.9 *trillion* fighting the war on poverty. Welfare spending stood at \$305 billion in 1992 alone, and will reach over \$500 billion and 6% of Gross National Product by 1998. The human cost of that war has been the creation of a massive culture of dependency, generating increased poverty, criminal activity, drug abuse, and an overall illegitimacy rate of 30%.

PROSPECTS: Recent attempts at welfare reform merely increased welfare spending without requiring recipients to work. In fact, welfare enrollment has surged 33% since enactment of the 1988 Family Support Act. Because of this failure the public is ready for real reform, even as the Clinton administration proposes welfare "reform" that will actually expand the attractiveness and cost of welfare. Welfare's imposed dependency has been made all the more hopeless by a tax policy that has blocked the only sure path out of poverty: a job.

SOLUTION: Genuine reform requires a commitment to spend less, not more, on welfare. Reform must be based on a no-money-without-work policy, more individual responsibility, less federal spending, and enhanced job creation. To encourage real private sector jobs rather than the government make-work variety, saving will be rewarded by enactment of the IRA-Plus bill which will allow tax-free accumulation and withdrawal of IRA earnings, the capital gains tax will be reduced from 28% to 15%, and taxes on assets will be indexed for protection against inflation.

BENEFIT: The benefits of welfare reform extend far beyond budgetary questions involving savings and deficit reduction. Dependence on government is a contributor to many social ills, including illegitimacy, crime, and the abandonment of children by fathers. Reducing these is the true aim of welfare reform.

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ENACT TAX RELIEF FOR WORKING AND RETIRED SENIORS

CHALLENGE: President Clinton's first budget raised income taxes on Social Security benefits for senior citizens who had total income of at least \$32,000 per year. In addition, working seniors are subject to the "earnings test," a reduction of their Social Security benefits of up to \$1 for each \$2 earned. When these effects are combined, senior citizens can pay an effective marginal tax rate of up to 89%. Raising taxes on retirees turns the American Dream into a nightmare for senior citizens, and punishes those who plan, save, and invest for their retirement or who wish to supplement their retirement income by working.

PROSPECTS: Two amendments to defeat the Clinton Social Security tax increase were defeated by 3-vote margins in the Senate. An October 1993 amendment to repeal the earnings test was defeated 46-51 on a procedural vote.

SOLUTION: Immediately repeal the 1993 Clinton Social Security tax increase. Phase out the Social Security earnings test.

BENEFIT: The unfair tax burden on senior citizens will be reduced. Retirees will no longer be subject to punitive taxes for working to supplement or saving to provide for their own retirement.

RESTORE AND PROTECT NATIONAL DEFENSE

CHALLENGE: The decline in defense spending resulting from victory in the Cold War has been dangerously accelerated by a Congress eager to channel defense dollars to domestic social programs. As a result, even the vastly-reduced military force envisioned by the Pentagon is underfunded by \$20 billion. The size of the U.S. military will shrink by more than 25% and major weapon systems will be either substantially delayed or canceled.

PROSPECTS: 3 times in the past 2 years, budget amendments which would have provided more money for defense have failed by 8-vote margins in the Senate. In 1993, a proposal to establish a "firewall" to protect the defense budget from raids by advocates of social spending programs, failed by 7 votes.

SOLUTION: Increase funding for national defense by at least \$20 billion over five years to fully fund the current defense plan. Restore the budget "firewall" to ensure that those who seek to fund pet projects cannot use defense funds to do so.

BENEFITS: The rebuilding of America's military strength in the '80's led to the defeat of Communism, the demise of the Soviet Union, the fall of the Berlin Wall and freedom for Eastern Europe. If America can avoid the mistakes already made several times during this century when it allowed defense preparedness to erode so much that our airplanes didn't fly and our ships didn't sail for lack of crews and spare parts, then we will be able to act when our vital interests are at stake. Even in a world where the lion and the lamb are to lie down together, America must be the lion.

****NOT FOR PUBLIC DISTRIBUTION****

SUPERFUND

September 22, 1994

To: Kerry
From: Barbara
Re: Superfund

Background: Superfund is a bad law. It has perverse incentives and outcomes. It deals with nonexistent "risks" for the most part and imposes huge monetary and opportunity costs. Anyone familiar with the law acknowledges that it has produced very few cleanups, protracted litigation, and enormous cost. The facts support this:

- 1300 sites on the National Priority List (NPL) for Federal cleanup, including 150 Federally-owned facilities. The NPL could grow to 3000 sites, EPA estimates.
- At least \$18 billion of public and private funds have been spent on the program to date. Only 12% of the sites have been cleaned up -- only 4% have been delisted.
- Average cleanup time for a site is 10-15 years. One cleanup averages \$25-30 million.
- The science underlying this enormous effort is suspect. In EPA's report, "Setting Priorities," its own technical experts state that Superfund ranks near the bottom of the list of real environmental problems it manages.
- In reality, Superfund is a pork bill. It has created an enormous industry to move around dirt.

Clinton made Superfund reform one of his campaign promises, and EPA came out with a proposal in early 1994. It was deemed unacceptable by most stakeholders. Rep. Al Swift, committed to reforming Superfund as his swan song, pulled together a small coalition of business representatives, environmentalists, Administration members, and Congressional staff to fashion a bill. This product has been deemed by the coalition members to be sacrosanct, with a zero half-life. But this group has a large personal political commitment involved in retaining its work product. That helps explain the pressure that some companies (ARCO, Dupont, Monsanto, FMC, Dow, WMX, etc.) as well as trade associations (Chemical Manufacturers Assoc., American Automobile Manufacturers Assoc.) have exerted on the business community as well as on Congress to push this bill this year.

Business opposition has grown, however. Over 300 companies, associations, and organizations have stated their opposition to this bill. These include AISI, API, AMC (steel, petroleum, mining), National Food Processors, grocers, bakers, small insurers, etc. The list is getting longer as others understand better what the bill does.

Status: House Rules has not yet granted a rule. Controversy surrounds an Oxley measure to repeal the Davis-Bacon provision in the bill and another provision requiring cost-benefit assessment for remedies. Either one could kill support. Labor is insisting Davis-Bacon stay in despite White House promises of a favor later. If either of these provisions remain, the bill could die. If they are both removed, the bill will pass the House, probably by September 29. Senate EPW reported the bill, but Finance has not yet marked up the tax and Environmental Insurance Resolution Fund (EIRF) issues.

Problems: Attached.

Outlook: There is no need to rush through a bad Superfund bill. We would have to live with it for the next 5-10 years. Instead we should commit to meaningful Superfund reform next year, & when the tax runs out.

~~consideration~~. Just a brief sampling includes:

1. It retains and expands scientifically groundless cleanup standards. Some examples are:
 - Groundwater must be cleaned up to stricter standards than apply to public drinking water standards -- for the entire aquifer. This is true even if there is no human exposure.
 - The more stringent "hot spot" definition assumes exposure for anyone. This means that very expensive treatment will be required for areas that pose little or no actual risk.
 - A single risk number, chosen by EPA and outside interest groups, would be applied to cleanup sites. This removes flexibility and assures extremely high cost for little environmental gain. Every interest group could become a little EPA, with a lot of power over cleanup standards.
2. Retroactive, strict, joint and several liability is retained. This means that transaction costs will continue to be very high. Litigation will remain the dominant Superfund activity. Even the American Bar Association has endorsed eliminating retroactive, joint and several liability. In addition, retroactive liability raises Constitutional questions as well as major equity problems. (The Clinton retroactive tax increase last year comes to mind.)
3. More and new bureaucracy.
 - EPA is given new and unnecessary health authority, assisted by "community working groups" which would "help" EPA collect data to be used in its health assessment. This health authority is transferred from the Agency for Toxic Substances and Disease Registry (ATSDR), now in HHS, to EPA.
 - EPA and HHS are required to create a program to recruit and train medical care providers in the field of environmental health. This is totally unnecessary as well.
 - Another new Federal bureaucracy (EIRF) is added to allocate liability through a complicated, non-binding process which will only shift costs.
4. "Natural Resource Damages" can be added over and above the cleanup expenses. These are virtually unlimited and arbitrary, and are guaranteed to create more litigation. They are estimated by a scheme called "contingent valuation" which asks individuals what they would (but will never have to) pay to get some result, i.e. save 100 seagulls. That random answer is multiplied by the number of people living in that area and then assessed! (This is not a joke.)
5. State role. Although the States are given more authority than under current law, this bill still does not allow qualified States to make independent decisions regarding waste sites within their borders.

Janet Sene

SUPERFUND TALKING POINTS

Superfund is broken and reform is needed, but it must be the right reform. However, the bill proposed will not significantly reduce liability or result in a quicker process for the clean up of sites or removal of sites from the National Priorities list. The bill relies on numerous administrative provisions that give EPA more latitude to set standards and regulations without assurances of data. Senate Finance is reviewing the insurance sections of the bill of which there is strong disagreement within the industry. The House is battling in the rules committee concerning amendments, including a Davis Bacon provision.

STATISTICS:

- *1300 sites on the national priorities list with little cleanup progress to show after 14 years.
- *\$18 billion of public and private resources have been spent on the Superfund program thus far, but only 12 percent of the sites have been cleaned up - only 4 percent have been delisted.
- *Average clean up time for a site is 10 to 15 years, costing an average of \$25-\$30 million per site.
- *It is estimated that more than 3,000 sites will be added to the National Priority List.

SPECIFIC CONCERNS:

- *Allocation system proposed will not reduce the amount of or cost of litigation. A non-binding third party arbitration system will only add to the bureaucratic delays. The bill retains retroactive liability.
- *Environmental Insurance Resolution Fund is a tax on insurance companies. There is vast disagreement among the industries about the tax and concern as to its impact on premiums.
- *The Clean up Standards that are provided within the bill are based on a single goal of risk without specifying the method to reach that goal. Risk calculations will be based on assumptions. The groundwater provisions require stricter standards than public drinking water supplies. A national risk goal is established to assure a "reasonable certainty of no harm", however this does not reflect the current level of knowledge on this issue.
- *Municipal liability is capped at 10% and small contributors of waste are exempted. However, this does not mean all small businesses will be exempted, in fact the largest segment of potentially responsible parties (PRP's) are small businesses. The allocation procedure depends on the ability to prove how much waste you have contributed to a site; many small businesses won't have the appropriate records to be exempted.

HOLLINGS-DANFORTH TELECOM BILL (S. 1822) TALKING POINTS FOR ASPEN

STATUS

Senator Hollings declared S. 1822 dead on Friday. It should be perfectly clear that despite his comments, that your office made a good faith effort to pass legislation this year. We expressed our specific concerns to Hollings staff and when we did not hear back from them, we gave them bill language. We never heard back from them, and were then accused of being unresponsive.

OVERALL MESSAGE

Opposition to S. 1822 was immense for many reasons. It increased taxes, local phone bills, government regulation, and stifled innovation. On September 20th, Metzenbaum held hearings on the anti-trust aspects of the bill (He doesn't want to free up the Bells). It was opposed by major national groups that included the National Governors Association, U.S. Conference of Mayors, National League of Mayors and by many industry groups.

Hollings also faced internal problems. CBO originally scored the bill as a tax. This tax issue stalled Hollings' staff and as result they did not focus on the bill's other problems until it was too late.

SPECIFIC PROBLEMS

o RATE INCREASES: "The bill will lead to local (phone) rate increases ... in some instances, perhaps as much as 30% on a yearly basis." -- *National Association of Regulatory Utility Commissioners (NARUC)*, which represents the state regulators who set phone rates.

o TAX INCREASES: CBO originally scored S. 1822 as a tax. Hollings got around this problem by moving the taxing authority to the FCC and by making it discretionary. Because the authority is vague, annual figures could vary between \$2 BILLION and \$30 BILLION in new taxes.

o EXCESSIVE REGULATION: S. 1822 is the Cable TV Act on steroids -- AND the FCC couldn't handle Cable. It requires four-times as many FCC rulemakings as was required for Cable TV.

o FEEDING THE FEDERAL COMMUNICATIONS COLOSSUS, THE REGULATORY GLUTTON: The FCC's spending is growing rapidly. Fiscal Year 1994 spending hit \$160.3 million. CBO ESTIMATES THAT S. 1822 IN ITS FIRST YEAR WILL INCREASE FCC SPENDING BY \$40 MILLION. That means that in 7 year alone that FCC spending would have doubled.

- o PROTECTIONIST MANUFACTURING REQUIREMENTS: "Domestic Content" provisions would prohibit Baby Bell companies, and only the Baby Bells, from manufacturing outside the U.S. unless they could prove that such parts couldn't be obtained domestically. PROVISION VIOLATES NAFTA, BUT IS THE ADMINISTRATION'S WAY OF APPEASING THE UNIONS FOR THE NAFTA VOTE. Sen. McCain would have filibustered bill on this provision alone.
- o PROPERTY TAKINGS: Under the guise of new "Right of Way" requirements, phone companies would have been required to turn over 5% of their networks to public institutions, museums, zoos, aquariums, and "non-profits" at virtually no charge. Costs will be passed on to other consumers. PBS THOUGHT UP THIS SCHEME.
- o GOVERNMENT MICRO-MISMANAGEMENT: Under S. 1822, Baby Bell companies, or its partners, could not quit manufacturing equipment unless they could prove to the FCC that they were not making a profit. Bill also arbitrarily dictated the types of markets where companies could and could not compete.

THE WASHINGTON POST

Mitchell Considers Post-Election Senate Session on Health Care

By Dana Priest
Washington Post Staff Writer

Senate Majority Leader George J. Mitchell (D-Maine), dismayed by the prospect of abandoning health care reform this year, is considering calling Congress back after Election Day to vote on providing insurance coverage to poor children, Senate and White House sources said.

While the disheartened Democratic leader is said by colleagues to be leaning against having a lame-duck session, his closest allies in the health legislation effort are urging him not to give up.

Mitchell was scheduled to announce his decision on health care yesterday and many senators said they believed he would give up. But he canceled the speech and aides said he was still trying to decide whether to push ahead. Mitchell would not comment on the matter, his aides said.

"He ought to call a special session, the House ought to do it too and the president ought to join in," said Sen. Tom Harkin (D-Iowa), who has championed the notion of insuring poor children. "He ought to say, 'We're going to come back after the election and we'll stay to Christmas.'"

If Mitchell were to decide to continue the uphill fight for some health bill, he would have to contend with two daunting factors.

First, House Democratic leaders are publicly pinning their hopes on next year. "I think we can bring forward legislation next year ... it may be slower, more incremental," House Majority Leader Richard A. Gephardt (D-Mo.) said yesterday. "I think we can move the coun-

try forward, maybe in smaller steps, maybe over a longer period of time."

The scale of the Democratic reform bills under consideration this year made Americans "angry and anxious," he said. "If you do smaller pieces, there will be less of that anxiety."

Mitchell's other obvious problem is the Republicans. They are claiming credit for killing what they believe were bad Democratic health

"I think we can bring forward legislation next year ... it may be slower, more incremental. I think we can move the country forward, maybe in smaller steps, maybe over a longer period of time."

— House Majority Leader Richard A. Gephardt

care bills. Now, with the marked increase in partisanship over other issues it is all but certain they would reject any Democratic attempts to pass even the smallest health bill.

Their attitude, however, has motivated some of the Democrats.

"We have zero now and we may get a short end of the stick," said one Democratic advocate of the lame-duck session. But in making some further effort, Democrats appear to be "just scared little mice."

Republicans are widely expected to win several seats in the November elections; they would have a powerful argument against taking up any measure as important health care before the new Congress convenes.

Proponents of pushing forward on health care said they have urged Mitchell to finish other legislative matters, then attempt to force a vote on a modest health care bill.

A likely measure is a "very" scaled proposal to provide federal subsidies for insurance for children in families with income up to 300 percent of the poverty line (\$4,000 for a family of four). Harkin, sponsor of the measure, said that if the Republicans filibuster and "try to stall and block it," Democrats should "take that out to the voters" and tell them who killed health care for children.

Mitchell, who gave up a nomination to the Supreme Court to help President Clinton with health care reform, wanted to make it the centerpiece of his five years as Senate leader. He has been unable to get agreement on the universal coverage guarantee the president wanted.

"It makes you marvel at the aching agony that must be under this constraining, reasonable, amiable human being," said Sen. J. "Jay" Rockefeller IV (D-W.Va.) of Mitchell's less work on the matter.



BY RAY LUSTIG—THE WASHINGTON POST

Senate Majority Leader George J. Mitchell is said to be leaning against lame-duck session.

Mitchell Finds It Isn't Easy To Decide Health Bills' Fate

By ADAM CLYMER
Special to The New York Times

WASHINGTON, Sept. 23 — Senator George J. Mitchell, the majority leader who gave up a Supreme Court nomination to try to enact national health insurance, spent another day today trying to figure out whether, and especially how, to bury the legislation.

So many health care deadlines had already been missed — for an announcement by the President, for action in committees, for votes on the House and Senate floors — that Mr. Mitchell's taking another day or so to reveal the fate of the issue has a certain consistency.

On Thursday, Mr. Mitchell said he would announce his intentions by today. This morning, his aides said he would hold a news conference or make a speech. Then they said he might not make any announcement. Then they said he was still consulting with other senators and would make no announcement.

What seems to be going on, as several senators who have spoken to the majority leader said today, is that Mr. Mitchell himself is ready to abandon the health care effort for

this year, his last in Congress, and get the Senate out of town so its embattled Democrats can have time to campaign. But two of his closest Democratic allies in the battle for health care legislation, Senators Edward M. Kennedy of Massachusetts and Harris Wofford of Pennsylvania, have argued long and hard against that course.

Although they are in close races themselves, Mr. Kennedy and Mr. Wofford, along with Senators Tom Daschle of South Dakota and John D. Rockefeller 4th of West Virginia, have urged Mr. Mitchell to spend at least two or three of the session's remaining days in a debate on a health care bill, so that the public would see who was for it and who

Continued on Page 8, Column 2



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Bills' Fate Is Uncertain In the Sen

Continued From Page 1

was against it.

"I want an accounting," Mr. Rockefeller declared today. "I want a vote. The American people deserve to know who stands where."

It is not that the senators who want a vote expect to pass a health care bill. Most of them acknowledge that they cannot, though a few say that given the strange ways Congress behaves, especially in the chaos of the end of the session, nothing that seems illogical is truly impossible.

But most of their point is political, to show the public that Democrats want expanded health care and Republicans do not.

Mr. Kennedy would prefer bringing up the bill Mr. Mitchell has been negotiating with a bipartisan group of about 20 senators. That bill would use subsidies to insure more than half of the 39 million Americans who now lack health insurance, require standardized benefits packages and

prevent insurance companies from denying coverage people with pre-existing medical problems.

Others, like Mr. Rockefeller, would prefer a less ambitious bill providing insurance to perhaps 10 million uninsured children, some long-term home care for the elderly and disabled and some changes in insurance laws. That measure is more attractive to liberal Democrats because it has fewer compromises with Republicans than the measure Mr. Mitchell is negotiating. But for that reason, it has less potential Republican support, too.

And the coalition members, even if they do not want to force any votes, want to be able to talk about their bill in hopes of making it the starting point for next year. Senator John B. Breaux, Democrat of Louisiana, a coalition leader, said today that his group would still like the opportunity to explain its measure and use it as a way to demonstrate that centrist coalitions can have some impact in the polarized Senate. Mr. Breaux, who thinks there is no chance a bill can

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Delay Tactics Grind Senate Into Gridlock Republican Strategy Infuriates Democrats

By Helen Dewar
Washington Post Staff Writer

Senate Republicans yesterday tightened their stranglehold on the remnants of President Clinton's agenda in what furious Democrats described as a "scorched earth" strategy to deny them any legislative victories before the November elections.

After a rare all-night session prompted by Republican delaying tactics, Democrats won procedural votes on bills to overhaul campaign finance laws and protect California deserts. But they faced further delays on the measures that could eat up most of the time remaining before Congress's adjournment target of Oct. 7.

The partisan rancor also engulfed other major measures:

- Legislation to rewrite the nation's telecommunications laws died for the year, partly because of last-minute proposals for "major revisions" from Minority Leader Robert J. Dole (R-Kan.), according to Commerce Committee Chairman Ernest F. Hollings (D-S.C.). Dole said he was sorry the bill died. [Related story, Page D1.]

- Environment and Public Works Committee Chairman Max Baucus (D-Mont.) sent an S.O.S. to Clinton, saying legislation to pump new life into the Superfund for hazardous waste cleanup could be saved only by high-profile presidential intervention. "My real concern is that the politics of gridlock will doom this bill," Baucus said in an interview.
- Action on a bill to ban lobbyists.

See SENATE, A16, Col. 3

SENATE, From A1

Gifts to lawmakers was delayed until Monday after Sen. Ted Stevens (R-Alaska) stormed out of a conference committee, complaining that Republicans had not been consulted and warning of "substantial delay" in the Senate if the committee approves the measure on a party-line vote.

- The District of Columbia appropriations bill, already threatened with an amendment to repeal parts of the recently passed crime bill, could become the staging area for a fight over setting a date for withdrawal of U.S. troops from Haiti. Sen. Hank Brown (R-Colo.) said he would seek to amend the District bill or some other spending bill to include language calling for a troop withdrawal by Dec. 31.

"What we have here is gridlock... as part of a scorched earth policy" to damage this institution and the Democrats who control it, said Sen. John F. Kerry (D-Mass.) in a

speech defending the campaign finance bill as an important step in reducing the influence of special interest money in politics.

Sen. Mitch McConnell (R-Ky.) said he made no apologies for blocking "this turkey" of a campaign finance bill, which he described as a Democratic power grab masquerading as reform.

The bill would set voluntary spending limits, provide incentives for compliance and restrict contributions by special interests.

Majority Leader George J. Mitchell (D-Maine), described by colleagues as extremely frustrated, took the floor as the Senate left for the weekend to denounce what he described as "unprecedented obstructionist actions" by Republicans in invoking rules to delay action for days even after a filibuster is broken.

Mitchell said he had consulted historians, parliamentarians and others and "no one can recall, nor can any-

one find, any record of a similar series of events."

Mitchell was referring to Republicans' use of obscure rules allowing three successive 30-hour stretches of debate before a bill that already has been approved by both houses can be sent to a House-Senate conference to resolve final differences. They employed the tactics to delay the campaign finance bill and could do so on the California desert measure, some Republicans said.

To start running out the time, Democrats forced Republicans to talk, each for one hour under the rules, from noon Thursday to 2 p.m. Friday, when everyone happily took the weekend off. Before leaving, they voted 93 to 0 to move to the next stage of the campaign finance fight and 73 to 20 to end the California desert filibuster, setting the stage for other delaying tactics.

Brown said he used to work the night shift at a restaurant, so did not mind taking the 4-5 a.m. shift. Yes-

terday he said he found the restaurant work more rewarding.

By morning, the speeches were a little ragged. "We must do better in the past than we are today," said Sen. Larry Pressler (R-S.D.).

Sen. Robert C. Smith (R-N.H.) said, "We should give the voters of this country more credit. They're a lot smarter than we think they are." He quickly corrected that to "... than we give them credit for being."

The political significance of the round-the-clock debate on campaign finance, carried through the night over C-SPAN, was underscored in a memorandum from William D. Harris, executive director of the Republicans' campaign committee, urging McConnell to "make sure this issue is debated as thoroughly and extensively as possible on national television." Public financing provisions the bill will stir an "especially virulent" reaction among supporters, Ross Perot, Harris said.

The North Effect on the G.O.P.

Oliver North has two talents rarely, if ever, combined in the same political candidate. He can squirt water through the gap in his front teeth and strike a target 10 feet away. He also has a rare gift for splitting a political party that normally tolerates almost anyone identified as a Republican.

Mr. North is the G.O.P.' official senatorial candidate in Virginia. He faces the Democratic incumbent, Charles Robb, and J. Marshall Coleman, another Republican who is running as an independent. But much of G.O.P. firmament cannot abide Mr. North, including one former President, largely because he misled Congress about the Iran-contra affair.

Ronald Reagan, who seldom ventures into intraparty politics, called Mr. North a liar for asserting that Mr. Reagan had directed him to mislead Congress during the Iran-contra investigation. Rather than support the party's nominee, Senators John Warner of Virginia, John Danforth of Missouri and John Chafee of Rhode Island have come out for Mr. Coleman. Robert McFarlane, Mr.

North's old boss at the National Security Council, said of him: "He lies to me, to the Congress, to the President. This is not somebody you want in public life."

Now along comes President George Bush, with a positively chirpy note in which he offers to endorse Mr. North and help him in any way he can. No reservations from Mr. Bush.

Bob Dole, the Senate minority leader, is plainly conflicted, voting both "yes" and "no." First he described Mr. North as "a loose cannon" who had overstepped his authority when he helped divert arms to Iran to fund the contras in Nicaragua. Then, visions of a Senate majority dancing in his head, Mr. Dole set aside his contempt and campaigned for Mr. North. Never a good actor, he did so tepidly.

Ask the folks at Republican Central what all this means and they'll tell you that the G.O.P. is "a big tent." Perhaps. But in the year of North, that tent is far too small to accommodate both those who wish to consort with Mr. North and those who wish he had never appeared on the scene.

POLITICS

Critic of 'Bleeding Hearts' Exhausted Supply of Felines

Heart surgeon Bill Frist, the Republican candidate challenging Sen. Jim Sasser (D-Tenn.), last week called Sasser a "bleeding heart liberal" and asked, "Who better can take out that bleeding heart liberal?" than a surgeon.

Frist, it turns out, has removed more than a few human hearts. According to his 1989 book, "Transplant, a Heart Surgeon's Account of the Life-and-Death Dramas of the New Medicine," the good doctor found joy doing during medical school dissecting the hearts of laboratory cats.

"I was, for the first time in my life, making original discoveries. No one else in the history of man had ever done exactly what I was doing, and I would be able to report my findings to the scientific world in some respected and scholarly journal. The way I acted, you would have thought my project, really very basic, was some grand breakthrough. As I watched the little strip of muscle beat hour after hour through the night in the basement of the hospital, I felt quite pure, as if I were reaching out and touching some eternal truth of nature.

"But my experiments were brought to a halt when I lost my supply of cats. I only had six weeks to complete my project before I resumed my clinical rotations. Desperate, obsessed with my work, I visited the various animal shelters in the Boston suburbs, collecting cats, taking them home, treating them as

named Scratchy. By night, I was Dr. William Harrison Frist, future cardiothoracic surgeon, who was not going to let a few sentiments about cute, furry little creatures stand in the way of his career.

"In short, I was going a little crazy."

Frist presumably would treat his fellow senators better than he did the cats.

Sasser Aide Threatens Group's Tax Status

At the same time Frist was attacking Sasser's liberal heart, Sasser's campaign press secretary was threatening a voter information group's tax-exempt status.

"It was a remark I shouldn't have made," Jim Pratt said told the Associated Press in acknowledging the threat. "I had no intention of following through on it."

The threat came about in a telephone conversation last week with an executive of Project Vote Smart, which distributes information about candidates' background and voting records to the public.

The nonpartisan organization had warned that it would publicize Sasser's failure to fill out one of its surveys. During the phone conversation, Pratt said Project Vote Smart's tax-exempt status barred it from such political moves. Referring to Richard Kimball, the organization's director, Pratt warned, "Frankly, if he carries through with what he's threatening to do to us, we're going to file a complaint with the IRS about his tax status."

On Thursday, after Kimball accused Pratt of making the threat, Pratt told an AP reporter that Kimball was lying and that he would demand a retraction if

the various animal shelters in the area, collecting cats, taking them home, treating them as pets for a few days, then carting them off to the lab to die in the interests of science. And medicine. And health care. And treatment of disease. And my project.

"It was, of course, a heinous and dishonest thing to do, and I was totally schizoid about the entire matter. By day, I was little Billy Frist, the boy who lived on Bowling Avenue in Nashville and had decided to become a doctor because of his gentle father and a dog

ing at threat. Pratt told an AP reporter that Kumban was lying and that he would demand a retraction if any story were written. But after reading a transcript of the tape, Pratt backed down.

Sasser, running for a fourth term, said that Pratt was following office policy not to respond to questionnaires and that he will remain as campaign spokesman. "I told him I disapproved of his actions but in the heat of a campaign sometimes people blow off steam," Sasser said yesterday.

—Al Kamen

Robb Attacks North Over Rebel Flag Comments as Virginia Race Heats Up

By MICHAEL JANOFFSKY

Special to The New York Times

RICHMOND, Sept. 23 — Unable so far to profit from former Gov. L. Douglas Wilder's decision to quit the Virginia Senate race, Senator Charles S. Robb today accused his Republican opponent, Oliver L. North, of intolerance and racial divisiveness for endorsing the open display of the Confederate flag.

Mr. North promptly responded by characterizing Mr. Robb's remarks as a desperate and cynical effort to raise campaign money.

The testy exchange — during a campaign in which both men have accused each other of moral inadequacy — came two days after Mr. North had reaffirmed his support for the Confederate flag.

"I have always worked hard to bring Virginians together," Mr. Robb said outside a social services center on Richmond's less affluent east side. "Oliver North raising this divisive issue only serves to divide us and open old wounds. I regret to say that it appears to be nothing more than an example of intolerance which I think underscores the importance of this particular election."

Appearing with a group of lawyers across town, Mr. North lashed back at Mr. Robb, accusing him of using cynical methods to raise money and win the support of former Wilder backers. Mr. North has raised more than \$11 million in campaign contributions, as against \$2.5 million for Mr. Robb.

Mr. North referred to an episode in which three members of Mr. Robb's Congressional staff pleaded guilty to obtaining an illegal recording of a 1988 telephone conversation of Mr. Wilder when he was Governor, saying, "Chuck Robb, who has permanently alienated the African-American vote in Virginia by being involved with the wire-tapping of Governor Wilder, is now desperate to raise funds for himself."

Mr. North added, "He has launched a very cynical effort to win back that vote by trying to divide the Commonwealth along racial lines. I believe that's a shameful act." About one in five Virginians is black.

Mr. North has often professed his support of openly displaying the Confederate flag despite its symbolism to many people as a sign of slavery and racism. He raised the issue

The Republican is labeled intolerant, the Democrat cynical.

again on Wednesday night at a campaign stop in Danville, Va., where he called the flag "part of the great heritage" of the state.

Then on Thursday, he said he recognized that to some Virginians the Confederate flag was "a symbol which is a painful reminder of the great tragedy and evil of American slavery." But he stopped short of advocating that it should not be displayed publicly.

Acknowledging the reverence other Virginians hold for the flag, Mr. North went on, "While I respect both perspectives, I do not believe that banning the flag is an answer to reconciling the two views."

Nor, he added, was he a "great fan" of reacting out of "political correctness."

The Confederate flag is hardly new as a campaign issue in the South, but it could play an important role in Mr. Robb's efforts to turn around a campaign that is widely viewed as lethargic in contrast to Mr. North's aggressive effort.

Today, North campaign officials were poised to counter Mr. Robb's remarks before he even made them. Mr. North had planned to appear with the lawyers early in the afternoon. After campaign aides told him Mr. Robb's event across town was scheduled to begin shortly, Mr. North agreed to delay any remarks to reporters until Mr. Robb's event had ended and Mr. North could gain the last word.

Mr. North's current campaign tactics are also catching Mr. Robb at a time when many political analysts in the state had predicted he would have higher poll ratings because of Mr. Wilder's withdrawal.

But the only independent statewide poll after Mr. Wilder's withdrawal showed that Mr. North held a slight lead over Mr. Robb, 37 percent to 31 percent, with L. Marshall Coleman, a Republican running as an independent, a distant third with 9

percent. The poll, published by the Richmond Times-Dispatch, had a margin of sampling error of plus or minus four percentage points.

But Mr. Robb said today that he never assumed Wilder supporters would flock to him simply because they were both Democrats. "I've said from the outset I would have to work very hard to earn their support," he said.

A former campaign manager for Mr. Wilder, Glenn Davidson, cited the former Governor's election in 1989 to explain why Mr. Robb did not get a boost.

"Robb's people wrongly assumed that Doug Wilder's principal supporters are African-Americans and as traditional Democrats, their votes would go to him," Mr. Davidson said.

"Doug Wilder's appeal transcended party and racial lines. Don't forget, most African-Americans who serve in high-ranking office, with the exception of Carol Moseley-Braun, represent predominantly black districts. Doug Wilder was born and raised in Virginia, where African-Americans make up maybe — maybe — 18 percent of the population. He was governor of all the people."

U.S. Plans to Help Haiti With \$200 Million in Aid

By STEVEN GREENHOUSE

Special to The New York Times

WASHINGTON, Sept. 23 — Eager to revive Haiti's moribund economy, President Clinton will soon announce that the United States will contribute about \$200 million this year to an international aid effort and will lift the ban on flights and financial transactions with Haiti, Administration officials said today.

And to improve living conditions immediately in the hemisphere's poorest nation, Mr. Clinton announced today that the Agency for International Development would start providing 1.3 million meals a day to needy Haitians, up from the 1 million-a-day it has been serving in recent weeks.

"All these moves should make a big difference," said a senior Administration official. "We want to begin to change the dynamics of Haiti's economy."

President Clinton sought to send a reassuring message today as some members of the House of Representatives maneuvered to set a deadline to pull out American troops. "The situation on the ground has become calmer and more peaceful," he said at a bill-signing ceremony.

At the same time, Haiti's exiled President, the Rev. Jean-Bertrand Aristide, told the White House that he would reconvene his nation's parliament so it could consider approving an amnesty for Haiti's military.

Although President Clinton had accused Haiti's military of being thugs and murderers, the negotiations that averted an invasion included an amnesty for crimes by the military. Senior Administration officials applauded Father Aristide's decision because it would reduce tensions in Haiti by spurring reconciliation between the ousted president and the armed forces.

"This is another welcome indication that President Aristide is moving as quickly as possible to put in place an amnesty that will encourage the kind of reconciliation he has spoken about," a senior Administration official said.

Mr. Clinton announced today that hundreds of Haitian refugees being detained at the Guantánamo Bay Naval Station were so encouraged by recent events that they have asked to be returned to Haiti.

Michael McCurry, the State Department spokesman, said that 200 to 300 of the 14,108 Haitians at Guantánamo might be returned to their homeland as early as Sunday.

The international aid effort — which is designed to provide \$550 million over the next year and at

omy to crawl back to where it was in pre-embargo days — to move up, in Father Aristide's words, "from misery to poverty." Per-capita income in Haiti is just \$250 a year.

One move planned by the Administration is for the Agency for International Development to hire 50,000 Haitians in public works programs.

As the American military consolidates its control of Haiti, the Clinton Administration has focused increasingly on Haiti's desperate economic situation, recognizing that rooting democracy firmly in Haiti is closely tied to improving its economy.

The foreign aid plans were hailed by advisers to President Aristide. Michael Barnes, his chief American adviser, said in an interview, "The aid is crucial. All of the important efforts of the last few days will be in vain unless the international community can jump-start this new government and the economy of Haiti."

Several officials said President Clinton might announce the aid package next week, while others said he would probably wait to announce it as part of the celebrations surrounding Father Aristide's return to Haiti, which is expected shortly after Oct. 15.

"It's a U.S.-led international effort, and it will be time to assure it helps a peaceful transition," said a senior State Department official.

To provide Haiti with the \$550 million that economists estimate it needs this year, the United States will provide about \$200 million and the World Bank, Inter-American De-

Haitians will soon receive 1.3 million meals a day.

velopment Bank and the International Monetary Fund will provide most of the rest, Administration officials said. In subsequent years, Washington's annual aid to Haiti will slip back to about \$100 million a year, officials said.

Several senior officials said President Clinton might announce, as early as this weekend, that he would end most of the unilateral sanctions that he ordered against Haiti. These officials said that after conferring with President Aristide, the Administration would allow the resumption of flights and financial transactions between Haiti and the United States.

The Administration would also un-

which is designed to provide \$550 million over the next year and at least \$1 billion over five years is unusually large for a country of 6.7 million people, economists said. It is designed to help Haiti across the board, including paying salaries for civil servants, improving ports and building roads, bridges and schools.


Despite the ambitious aid plans, some Administration officials and economists say Haiti has been so devastated by its repressive years of military rule and the three-year international embargo that it could

tween Haiti and the United States. The Administration would also unfreeze American-based assets of many Haitians, but would continue to freeze assets belonging to the coup leaders and other top military officials. The Administration is looking into continuing the freeze on the assets of the army's leader, Lieut. Gen. Raoul Cédras, not only until he cedes power, but until he leaves the country.

Under existing United Nations resolutions, the international trade embargo is to remain on Haiti until

September 23, 1994

MEMORANDUM FOR SENATOR DOLE

FR: Mark Miller 
RE: Julian Robertson in Aspen

Last week Julian called me to say that he was going to make a large contribution (between \$500,000 and One Million) to the RNC and wanted to give you the check and pass it along. He is suspicious of other solicitors motivation's.

I asked him to consider a contribution to BAF and gave him a brief pitch. He agreed to give "something" to BAF, and asked that I discuss with you what would be appropriate.

I called today to check with him and was told he took my memo, along with other BAF info I sent him with him to the Forstman event in Aspen. He also took with him several blank checks.

To follow is the memo I sent him for your information.

SEPT. 12, 1994

MEMORANDUM FOR JULIAN ROBERTSON

FR: Mark Miller

RE: Republican Financial Requests.

Good to speak with you today. As I indicated, Senator Dole was please you have elected to help both the RNC and his Foundation; both will be targeting all of their money to elect more Republicans in 1994. To follow is a memo for you on Dole's 501 (c) 4.

Further, I wish to thank you for your willingness to pass along your gift to the RNC through Dole's hands.

The amount you wish to contribute to each is, of course, yours to determine. However, as you requested, the Senator and I discussed what we believe to be a fair formula. The RNC is hoping to raise twice as much money as the Better America Foundation (BAF). Therefore, we propose a two to one split. i.e. two-thirds of your gift to the RNC and one third to BAF.

Please call me if you need further information or if you wish to speak to the Senator directly.

Once again, thank you.

bcc: Senator Dole