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GJ

Ross Perot's \$100-million Disaster

*In the early
1970s a
faltering Wall
Street brokerage
house looked
to Ross Perot
for salvation.
He ended up
driving the
final nail into
its coffin.*

by Daniel Gross

MONDAY, JANUARY 21, 1974, WAS A GRAY, CLAMMY, WINDSWEEP DAY in Manhattan. The climate on Wall Street was colder and darker still. That morning Walter Auch, the president of Du Pont Walston, Inc., summoned reporters to his huge brokerage firm's headquarters at 77 Water Street and dropped a bombshell: The second-largest brokerage house in America—300,000 clients and 138 branch offices—was quitting the securities business.

While Auch boldly faced the press, the firm's owner was nowhere to be seen. After presiding over Du Pont Walston's fateful weekend-long board meeting in his Waldorf Towers suite, H. Ross Perot had skipped town under cover of night and flown back to Dallas.

In 1970 the diminutive young magnate had reluctantly bailed out the firm's predecessor, Du Pont Glore Forgan Staats & Company. His purpose was twofold: to gain a beachhead on Wall Street and to save one of the largest customers of his company, Electronic Data Systems Corporation. But Perot arrived in lower Manhattan at exactly the wrong time. The five-year period from 1969 to 1974 was one of continuing crisis on the Street, as the clubby brokerage industry was wrenched into the modern world. The sharp-witted salesman waded into a thicket of problems and aggravated them by making costly, uninformed decisions and attempting to transplant his unique brand of corporate culture to the infertile soil of Wall Street. Four years and nearly a hundred million dollars later, Perot's Wall Street foray ended with a whimper.

The stinging losses Perot endured in these years—the worst setbacks of his legendary career—permanently poisoned his attitude toward the nation's financial capital. The populist rhetoric he wielded so effectively in his quixotic 1992 election campaign and in his vociferous attacks against the North American Free Trade Agreement was suffused with disgust and scorn for Wall Street and its business practices. Here's why.

Auch's announcement signaled the death knell for the proud bro-

kerage firm founded in 1931 by Francis Irénée du Pont, a great-grandson of Eleuthère du Pont, who had set up the family's gunpowder works in Delaware in the early nineteenth century. Francis, a Yale man and onetime devotee of the single-tax proponent Henry George, ran Du Pont's research laboratories and garnered more than a hundred patents. But in 1931 he decided to watch over his family's investments from a perch on the New York Stock Exchange and purchased a seat at a bargain-basement price—about \$200,000, down from \$625,000 in 1928.

F. I. Du Pont & Company expanded slowly from its two rooms at One Wall Street, the Art Deco tower at the corner of Broadway and Wall Street, adjacent to the New York Stock Exchange and a stone's throw from Trinity Church. Francis's son Edmond joined the firm in 1932, soon after his graduation from Princeton. After Francis died in 1942, Edmond and his younger brother, Rhett, ran the firm as the senior partner and the managing partner respectively. By 1948 the firm had grown to twenty partners and forty-one offices throughout the United States. And when Du Pont merged with James E. Bennett & Company of Chicago, in 1954, its sixty-two offices made it the second-largest brokerage house in the United States.

The distinction of largest firm belonged (and still belongs) to Merrill Lynch, Pierce, Fenner & Smith, which democratized stock ownership during the 1950s by appealing to middle-class investors. The number of individual stock owners in America rose from 6.5 million in 1952 to 15 million in 1960. By then, Merrill Lynch counted 400,000 customers.

Du Pont was eager to accommodate the large numbers of middle- and upper-middle-class investors seeking to cash in on the steadily rising market of the 1960s. The Dow Jones Industrial Average rose from 735 in January 1961 to 1,000 in February 1966. In 1965, a banner year, Du Pont opened a hundred thousand accounts, and the firm's back office handled more than a mil-

lion and a half transactions.

Stock trades in the 1960s were conducted much as they had been in the 1930s: by hand. Computer cards replaced the trading floor's system of pneumatic tubes in 1966, but brokers still had to deliver individual stock certificates to buyers in person. In May 1966 Du Pont's partners spent an entire weekend moving \$1.5 billion in securities from 149 Broadway to 2 Broadway, in what *The New York Times* called the "biggest physical transfer of securities . . . in the history of the brokerage business."

The NYSE's average daily volume tripled between 1963 and 1968, from

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4.5 million to 13 million. On April 10, 1968, 20 million shares changed hands. This booming volume eventually overwhelmed firms' preautomation capacity and resulted in an increasing number of fails—the failures of sellers' brokers to deliver stock within five days. If the fails weren't corrected in a timely fashion, the missing stock had to be replaced and paid for out of the brokerage's pocket.

As fails became more common, they helped turn the once-profitable business of stock trading into a money-losing proposition. This created a crisis that destroyed many firms, rocked the financial industry, and put Du Pont in the hands of Ross Perot.

In December 1968 the value of industry fails reached \$4 billion, four times the level considered acceptable by the exchange. In an attempt to let

back offices stem the paper tide, the exchange shortened trading hours by ninety minutes on January 22, 1969, and suspended trading entirely on Wednesdays in June 1969.

But even these drastic measures proved ineffective. A 1969 survey of NYSE firms showed an aggregate net loss of 1.4 percent on securities commission income, down from a 7.2 percent profit in 1968. In 1969 and 1970, 129 firms either merged with other concerns or went out of business.

Du Pont's back office was one of the sloppiest in the industry. In 1968 the firm's revenues rose 32 percent, but profits fell 26.8 percent. The managing partner Charles Moran, a former race-car driver—he hit a wall in the 1930 Indianapolis 500—blamed the profit slide chiefly on problems in processing transactions. Du Pont had doubled its personnel to 5,700 in 1968 to handle the paper deluge, yet securities were routinely lost, missing from accounts, and not delivered in time.

The following year Du Pont suffered its first reported loss: \$7.7 million. Conceding that 1969 "was a pretty lousy year," the managing director Wallace Latour, who had replaced Moran in September 1969, nonetheless insisted that Du Pont's house was in order. And Edmond du Pont predicted the firm would become "a highly profitable firm very fast"—if, ironically, volume picked up.

But volume slipped in 1970, and the total dollar value of trades dropped 21 percent. Meanwhile, Du Pont continued to hemorrhage money, and the partnership posted a record \$17.7 million operating loss for the year. "This industry will never be the same as it was before 1968," the exchange's 1970 annual report observed. "The day of the casually managed brokerage firm is over."

In 1970 a concerned Du Pont partner, Rudolph Smutny, suggested that the firm seek professional help to sift through the chaos in the back office. The company he recommended was Electronic Data Systems, the computer services outfit run by Ross Perot.

Perot, the former IBM salesman who had founded EDS with a thousand dollars and a quantity of pluck in 1962, had benefited from Wall Street's boom. His young company, which processed Medicaid and Medicare claims on behalf of insurance companies like Texas Blue Shield, went public at the market's height in September 1968, at \$16.50 a share, a dizzying 118 times earnings. Perot's 81 percent stake was instantly worth \$200 million.

As the market boomed, the thirty-eight-year-old Perot's holdings ballooned to more than \$1.5 billion in 1970, putting him into the rarefied area occupied by Howard Hughes and a few other fortunates. When EDS stock plunged on April 22, 1970, the plain-speaking executive suffered a \$450 million paper loss in one day.

Fortune dubbed the software salesman the "Fastest Richest Texan Ever," and the legend of H. Ross Perot was born. In 1969, when Secretary of State Henry Kissinger called the 1953 Annapolis class president to express alarm over the plight of U.S. prisoners of war in North Vietnam, Perot set up an organization, United We Stand, that attempted to airlift medical supplies, food, and Christmas gifts to POWs. Given to spurts of magnanimity, Perot donated a million dollars to the Dallas Boy Scouts and two million to underwrite a school program in a black Dallas neighborhood—and then refused to take tax deductions.

Perot cherished the \$8-million Du Pont contract, and not just because it provided a substantial boost to EDS's revenues, which totaled \$37.7 million in 1968. More important, if EDS could clean up one Wall Street firm's back-office problems, he reasoned, the company would get the jump on its competitors in virgin, lucrative territory. But Perot might have thought twice had he realized that the contract would bind together the fortunes of two concerns headed in opposite directions.

The NYSE required member firms to maintain a ratio of debt to capital of less than 20 to 1, and it monitored

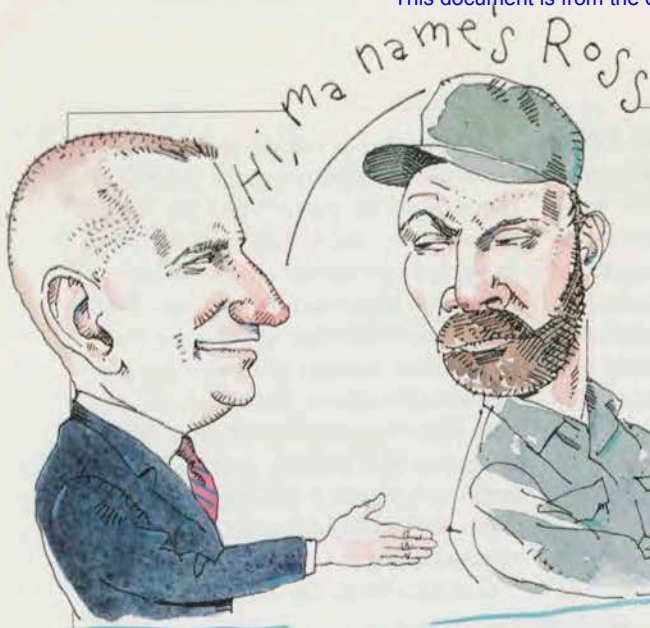
firms whose ratios rose above 12. In March 1970 Du Pont's debt-to-capital ratio stood at 13. To bolster its weak position, the company began casting about for a way to merge with a firm that had a healthier balance sheet. In July the partners engineered a three-way merger with two brokerage firms that were losing money but had the capital Du Pont needed: Forgan Staats Inc., which had twenty offices, mostly on the West Coast, and Hirsch & Company, a twenty-six-branch house.

Edmond du Pont hailed the merger: "This is what I would call a true case

of synergism, in which the resulting entity should add up to a lot more than the sum of its parts." But the move proved to be sheer folly, and the only thing it added up to was more losses. The three firms had lost a total of \$2 million in 1970's first quarter, and losses spiraled upward after the merger. Between July 2 and November 27, Du Pont Glore's capital shrank from \$60.5 million to \$45 million. And a surprise audit on September 27 showed that the firm's debt-to-capital ratio was an astronomical 32 to 1.

Fortunately for its 250,000 clients,





worth \$150 million by 1976 if he could restore Du Pont to profitability.

Perot cloaked his shrewd maneuver in the mantle of patriotism. After all, saving Du Pont was in the national interest. "I feel strongly that everyone ought to make every contribution he can to

Du Pont Glore was one of the few firms deemed too big to fail. In October Goodbody & Company, the fifth-largest firm, with 225,000 accounts, was teetering on the edge of insolvency. Unwilling to see Goodbody's customers lose their investments, the NYSE prevailed upon the Merrill Lynch chairman Donald Regan to acquire Goodbody. Exchange members agreed to pay Merrill Lynch \$30 million to offset possible losses.

Even legislators in Washington were spurred to action at the prospect of thousands of small investors' portfolios being wiped out. In December 1970 Congress created the Securities Investor Protection Corporation, which was to insure customers' accounts at NYSE firms up to \$50,000.

Perot was a reluctant savior. "Why not let Du Pont fail?" he said when first asked to help by Attorney General John Mitchell and Treasury Secretary John Connally. But he became the last resort when several Du Pont cousins rebuffed NYSE requests to kick in \$15 million. He eventually agreed to give Du Pont a ninety-day \$10-million subordinated loan in exchange for an option to convert \$1.5 million of that loan into 51 percent of Du Pont's stock when the partnership incorporated in April 1971.

The move was hailed as a masterstroke, a classic case of the backcountry naif hornswooggling the city slickers. *Fortune* estimated that Perot's stake, purchased for \$1.5 million, could be

the country," he said. "I'm best able to make my contribution in the area of business."

The loan was not enough to keep Du Pont solvent for long, though. With each passing month the company's capital needs became greater. Dissident partners, among them Emile du Pont, Edmond's seventy-two-year-old brother, and Lammot du Pont Copeland, balked at injecting more funds into a firm that would be controlled by a Texas arriviste. Some longtime partners began to withdraw their money from the firm.

On February 10 Anthony A. du Pont, the thirty-seven-year-old son of Edmond, who had been replaced as the directing partner in December, flew to Dallas to ask Perot for more cash. The cotton broker's son from Texarkana had the blueblood over a barrel. He could refuse to extend the loan, which was up for renewal on March 17, and force the firm into liquidation.

The negotiations went nowhere fast. "I want out!" Perot said, quickly dropping his patriotic line. "From a businessman's point of view, I just don't want to invest."

But on March 16, 1971, Felix Rohatyn, the Lazard Frères partner who chaired the NYSE Surveillance Committee, and Bernard Lasker, the chairman of the NYSE, brought the parties together for a marathon negotiation session at the exchange, where they finally hammered out a new agreement at 1:00 A.M. Perot would invest up to \$30 million more in exchange for up

to 88 percent of the firm's equity. He also extracted a pledge from Lasker to raise \$15 million from exchange members to indemnify him against future losses.

Overnight the backcountry upstart became the single biggest investor on Wall Street and the unquestioned master of Du Pont Glore. "The sacking of Rome by the Vandals" was how one former Du Pont partner described the transaction.

To prove that he was serious about investing in Du Pont's future, Perot raised about \$57 million in cash by selling \$900,000 of his EDS shares to the public in May 1973. Three months later he replaced the \$15-million loan with a \$55-million capital infusion.

PHM Corporation, Perot's shell company, took formal control of Du Pont Glore on May 14, 1971. Mort Meyerson, the thirty-three-year-old whiz kid EDS vice president whom Perot called "the Mickey Mantle of the computer business," was installed as the president. Harold A. Rousselot, the Du Pont veteran who replaced Wallace Latour in December, became the chairman of the board but remained a figurehead. "I'm sure you can guess who's running the firm," remarked Perot, who never took a formal position at Du Pont.

Indeed, Perot was firmly in control, and over the next three years he and Du Pont continued to suffer from unfavorable long-term developments in the economy and the securities industry. But several specific business decisions that Perot made proved disastrous. Most of them stemmed from his basic arrogance about the superiority of his management philosophy and the belief that he could transplant it easily from Dallas to Wall Street.

In the very beginning it seemed he could. His first order of business was to get a handle on the firm's catastrophic operations. After a summer 1971 audit showed unresolved differences of \$86 million in Du Pont's customer accounts, Meyerson set up a \$42-million reserve to offset possible losses. Through pains-

taking research, the firm recovered approximately \$29 million in missing securities, most of which had been delivered in error to customers and other brokers.

Horrified by the lax business practices in the back office, Perot instituted a policy without precedent in the brokerage industry: Each office would be required to resolve its accounts daily. "We're going to close our books every night, like a bank," he said. He also deployed professionals to monitor the firm's day-to-day operations, a task previously handled by partners, and formed a surveillance group to police employees' activities. The controls worked. An audit in August 1972 showed the firm had conducted 114 million transactions over the previous fourteen months without losing any securities.

Perot's efforts to change the culture of the firm—which was the culture of Wall Street—met with less success. The exchange was a genteel preserve of Northeastern prep school types and old-line German Jews. Perot's homily-and-grits folksiness, Texas-size ego, and no-nonsense patois just didn't jibe with the manners of the du Ponts and the Loebbs.

Again, his instincts seemed admirable at first. While strolling through Du Pont's offices, Perot introduced himself to a janitor—"Hi! I'm Ross Perot"—and then greeted the man heartily by name a few weeks later. The patrician Edmond du Pont, a fine yachtsman, never would have talked so casually to the hired help.

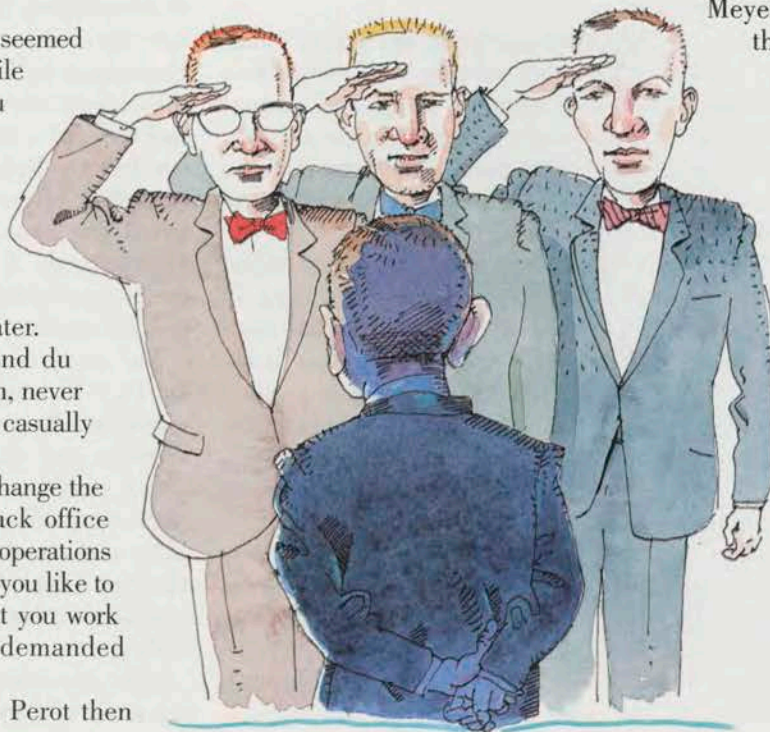
Perot also tried to change the local dialect. The back office and cage became the operations division. "How would you like to tell your neighbor that you work in a 'cage'?" Perot demanded rhetorically.

More significantly, Perot then

attempted to transplant to One Wall Street the paramilitary, clean-living corporate culture that made EDS click. A reporter for *The New York Times*, Michael Jensen, compared visiting an EDS office in Dallas to "stepping into a time machine and emerging at a Junior Chamber of Commerce meeting in the 1950s."

The former Navy officer apparently wanted to transform selling stocks into the moral equivalent of war. Gary Griggs, an ex-Marine recruiter who had done the same for EDS, became Du Pont's chief recruiter. Perot also started an expensive boot camp for securities salesmen in Beverly Hills,

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California, that offered a six-month course run by former military officers. Perot personally interviewed all inductees. "The first day we got there we were all told to get short haircuts," said one training-course dropout. "Two blacks with Afros quit immediately. We were told to wear dark suits and bow ties. No mustaches." Trainees were forced to sign pledges to reimburse the company several thousand dollars for the cost of their training if they left within three years.

The sales force Perot inherited from Du Pont chafed under the new dictates. Meyerson banned long hair and beards, instituted strict dress codes, and made marital infidelity ground for dismissal. "It wasn't accepted by all our people," said Du Pont veteran Walter Auch. Dispirited brokers began to seek work elsewhere. In May 1973 the manager, ten salesmen, and three operations workers left the Decatur, Illinois, branch office to join a competitor, A. G. Edwards & Sons, Inc.

Du Pont Glore's chief problem was money, however, not morale. Despite the new controls, the firm could not turn a profit. And Perot's management wasn't sure what to do. Perot had given Meyerson a free hand in running the firm, and when Meyerson took the helm, he brought in a cadre of staffers from EDS. Perot, with his basic contempt for Wall Streeters and their management practices, saw no need to have managers with experience in the securities industry running the firm.

The new management team was thus largely unequipped to take the necessary steps to reconfigure Du Pont's business. Worse, Meyerson took matters into his own hands. Instead of setting up a sales network of experienced branch managers,

he tried to run each branch single-handedly. That further alienated the Du Pont managers.

One of the steps that was undoubtedly necessary to restore Du Pont's health was a major cutback in the firm's far-flung branch network. When Perot took over the firm, most of its 110 offices were losing money. Many of them needed to be closed, but Perot had a problem. His company, EDS, held the contract to process all the firm's trades. At the time the contract accounted for 21 percent of EDS's revenues. It became clear that the two entities that Perot controlled—EDS and Du Pont—were working at cross-purposes. The more trades Du Pont processed, the more money it lost, but the more trades Du Pont processed, the more money EDS made.

Perot couldn't resolve this conflict. He never actually developed a long-term strategy (surely he should have realized that the more efficient Du Pont became, the more it would ultimately have benefited EDS). Furthermore, he never drew clear lines of demarcation between the two companies. Meyerson maintained his seat on EDS's board while running Du Pont. Thus the overriding concern with EDS's bottom line may have prevented Perot and Meyerson from taking the steps necessary to turn Du Pont around.

Du Pont's peers had slaked their thirst for permanent capital by selling stock to the public; twenty-five securities firms had gone public by the end of 1971. But when Du Pont needed money, it could turn only to Perot. In April 1972, Du Pont Glore received another cash infusion: the \$15-million indemnification from the NYSE and a \$9-million subordinated loan of municipal bonds from Perot. That brought Perot's total investment to \$64 million. The firm's capital problems "are now history," Meyerson said.

He spoke too soon. In the twenty-four months after its incorporation in May 1971, Du Pont Glore would lose \$32 million. The reason: Many individual investors, the backbone of the brokerage industry, never returned to the market after being spooked out of

it in 1969, turning instead to the relative security and near-guaranteed yields of bonds, money market funds, and mutual funds. In 1960 individuals had accounted for 68.6 percent of the NYSE's volume. By 1973 that number had slipped to 40 percent.

That institutions were the key to the market was obvious to any market observer. But Perot ignored the long-standing trends and decided to continue appealing to individuals. Du Pont ran an advertising campaign touting itself as the champion of the little guy. This made for nice rhetoric, but the real money in the brokerage industry was now to be made in serving the big

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boys: pension funds and mutual funds. With every passing year institutions such as pension funds and mutual funds were accounting for a larger share of the trades. And Perot made no push to increase Du Pont's ability to service them.

When the market, which had rallied in 1972, started to decline again in 1973, Robert Bishop, a NYSE vice-president, deemed brokerage firms' renewed troubles just as acute as those of the late 1960s, and "a little more widespread." Exchange seats, which had fetched \$515,000 in 1968, sold for as little as \$72,000 in 1973.

By that summer Du Pont was in "perhaps the deepest financial trouble in its recent problem-filled history," as the *Wall Street Journal* put it. In May, despite Perot's repeated cash infusions, the firm's debt-to-capital ratio stood at

13.85 to 1. Meanwhile, the vigilant exchange had tightened the maximum debt-to-capital ratio to 15 to 1. In June the NYSE gave Du Pont an ultimatum: lower the debt-to-capital ratio to an acceptable level, 10 to 1, by July 2, or liquidate.

Perot, who likes to pepper his speech with bromides and clichés, apparently did not heed the dictum about learning from the past or being condemned to repeat it. The strategic solution he sought to stanch the firm's operating losses was the same one that Du Pont & Company had turned to in 1970: A merger with a second unprofitable capital-rich firm. Instead of trying to reconfigure Du Pont's business, or target new markets, or cut back its unprofitable operations, Perot, working under the erroneous assumption that -1 plus -1 could somehow total 2, chose to expand and assume even greater liabilities. That decision cost him even more money and hastened Du Pont's demise.

Perot found a candidate in Walston & Company, a San Francisco-based firm in which he had invested \$15 million in July 1972 in exchange for an option to acquire a one-third interest in the company. Several Walston directors objected to the proposed merger. Fortunately for Perot, one of them was the elderly George U. Robson, who had suffered a heart attack the previous January. Robson fell ill during the marathon fifteen-hour meeting and left. A few hours later, at 1:00 A.M. on Monday, July 2, the board approved the merger by the slimmest of majorities: ten to nine.

The move created two companies: Du Pont Walston & Company, which would handle research and sales operations, and Du Pont Glore Forgan, which would serve as Du Pont Walston's back office. As part of the deal, Perot sank another \$12.8 million into Du Pont Glore, bringing his total investment in both firms to about \$91 million.

After the merger Perot finally did constructively try to change the firm's

structure. He feverishly slashed the sales force from 2,800 to 2,100 and closed sixty branch offices, a move that was long overdue. He fired eight of the nine Walston & Company directors who had opposed the deal. But he continued to tie Du Pont's future to the disappearing individual investor. He tried to lure this investor with an expensive advertising campaign, lobbied publicly for a capital gains tax cut, and began urging salesmen to pursue "elephants"—wealthy individuals—instead of the traditional target: middle-class wage earners.

As the firm continued to lose money, many of Du Pont Walston's already demoralized employees began to sense they were on a sinking ship. Perot's decision to get rid of the top Walston officials sent a signal to lower-level Walston workers. In Hartford fourteen Walston salesmen bolted for Hayden Stone, Inc., when a Du Pont Glore Forgan manager was put in charge of a newly merged office.

Smelling blood, rivals began to prey upon the beleaguered firm: *Business Week* estimated that 500 of Du Pont's 2,800 salesmen, among them many top brokers, had been lured away by January 1974. In September Du Pont Walston sued E. F. Hutton to prevent it from stealing any more brokers.

Du Pont Walston lost a staggering \$23 million in the first four months after the merger. And by January 1974 it was clear the firm needed still more money. "Perot had to make a business decision: would he pour in more money or would he liquidate?" said the NYSE Chairman James Needham.

It seemed as if Perot no longer had much money to invest. EDS's stock sank to 17½ by the end of January 1974, and the onetime paper billionaire's stake had shriveled to \$130 million. With little to show for the nearly \$100 million he had plowed into the two firms, Perot finally knotted up his purse strings and bailed out.

Du Pont Walston unraveled rapidly

after Auch announced, on January 21, 1974, that the securities firm was folding. Rival firms lined up like vultures on a Joshua tree limb to snap up the branch offices. E. F. Hutton & Company grabbed 15; Paine Webber gobbled up 12. By February 14, 115 of the 138 branch offices had been sold off. The Du Pont Walston Education Center, which cost the firm \$14 million a year, graduated a class of 113 in mid-January. But the gung ho brokers had nowhere to work, and the school closed its doors.



On Wednesday, March 27, Du Pont Walston filed for Chapter 11 bankruptcy protection, claiming \$40.9 million in liabilities and \$40.9 million in assets. Two months later a bankruptcy judge appointed a trustee to liquidate the firm's remaining assets.

With the demise of Du Pont Walston, Du Pont Glore Forgan lost its sole client. The firm efficiently carried out the grim chore of delivering Du Pont Walston's customers' accounts to their new homes. It had no luck, however, peddling its clearing services to other Wall Street firms. In June, Glore Forgan terminated its contract with EDS, effectively depriving Perot's

company of nearly 20 percent of its revenues.

Defeated, Texas's Wall Street rangers returned home. In 1974 the *Wunderkind* Morton Meyerson, no longer a *Kind* at thirty-six, quietly gave up his Manhattan apartment and moved back to Dallas.

Did Perot drive Du Pont into the ground? Or did Du Pont drive Perot into the ground? The Texan obviously bit off more than he could chew when he first acquired a controlling stake in Du Pont. To be sure, the firm's financial woes were more profound than he first suspected. But Perot's prior business successes, spectacular as they were, simply had not equipped him to run a securities firm. Worse, his formidable ego prevented him from acknowledging this basic fact, and his insistence on concentrating Du Pont's power in a small cadre of EDS hands reflected a fatal arrogance. At crucial junctures he made the wrong decisions—not downsizing the firm after taking it over, pursuing the ill-conceived merger with Walston & Company—and his personal identification with the firm made it harder for him to cut his losses and get out.

One hesitates, however, to dump *all* the blame on Perot's shoulders. He had the misfortune to come to Wall Street during a particularly rough period. The winds that buffeted the Street from 1969 to 1974 drove dozens of firms into insolvency—and most of them were headed by men with decades of experience in the securities business. Most firms survived by carrying out successful mergers, scaling back operations, or branching out into new areas of business. Perot lacked the vision or skills to steer Du Pont in any of these directions. In the final analysis H. Ross Perot, an able manager, was unable to manage Du Pont. ★

Daniel Gross, a New York-based writer, is on leave from Harvard University, where he is a doctoral candidate in American history.

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THE WEEKLY ON POLITICS AND GOVERNMENT

MAY 14, 1994/NO. 20



National Republican Senatorial Committee

SENATOR PHIL GRAMM
CHAIRMAN

March 3, 1994

The Honorable Bob Dole
Republican Leader
S230 The Capitol

Dear Senator Dole:

Enclosed, please find the information we discussed last evening. If you have any questions please feel free to call me.

Sincerely,



William D. Harris

RONALD REAGAN REPUBLICAN CENTER
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PAID FOR AND AUTHORIZED BY THE NATIONAL REPUBLICAN SENATORIAL COMMITTEE

1994 REPUBLICAN U.S. SENATE WOMEN CANDIDATES

We have a record number (12) of female Senate candidates.

Kate Squires (California)
Ruthann Aron (Maryland)
Janet Jeghelian (Massachusetts)
Ronna Romney (Michigan)
Judith Miller (Michigan)
Joanell Dyrstad (Minnesota)
Gen Olson (Minnesota)
Jan Stoney (Nebraska)
Robin Otten (New Mexico)
Bernadine Healy (Ohio)
Kay Bailey Hutchison (Texas)
Cate Zeuske (Wisconsin)

1994 REPUBLICAN U.S. SENATE PHYSICIAN CANDIDATES

<u>Physician Candidate</u>	<u>Type</u>	<u>State</u>	<u>Primary ?</u>
Dr. Bill Frist	Heart Surgeon	TN	Yes
Dr. Bernadine Healy	Cardiologist	OH	Yes
Dr. David Nitzsche	General Practice	OH	Yes
Dr. Joe Bentivegna	Ophthalmologist	CT	Yes
Dr. Gerald Labriola	Pediatrician	CT	Yes
Dr. Joseph Arends	General Practice	MI	Yes
Dr. Ben Clayburgh	Orthopedic Surgeon	ND	Yes
Dr. Arthur Gindin	Neurosurgeon	WV	Yes
Dr. Ron Franks	Dentist	MD	Yes
Dr. Byron Bush	Dentist	TN	Yes

TALKING POINTS

1. Every one of the Democrat female candidates are career politicians, whereas the GOP female candidates come largely from outside the ranks of career politicians. It is precisely these kinds of outsiders who have defeated incumbent senators in the past several cycles.
2. Reverting to traditional partisan patterns, the Republicans have more female Senate candidates (12) than the Democrats do (9).
3. In addition, in the much-heralded "1992: Year of the Woman" (i.e., the year of the liberal Democrat woman), the Democrats had fewer candidates than the GOP has in '94.
4. While the Republicans have 10 physicians (8 doctors, 2 dentists) running for the Senate, the Democrats have none.
5. Our doctors' practices involve a variety of disciplines ranging from dentistry to pediatrics to multiple organ transplants.
6. Several of our physician candidates have expertise not only as health-care providers, but in related areas as well. For example:

Dr. Bill Frist Author, Transplant
Chairman, Tennessee Governor's Medicaid
Reform Task Force

Dr. Bernadine Healy Former Director, National Health Institutes of
Health

Dr. Ben Clayburgh President, North Dakota Medical Association

Dr. Joe Bentivegna Author, A Plan for Connecticut's Future

Dr. Gerald Labriola Chief of Staff, Waterbury Hospital

The Washington Post

IS AMERICA IGNORING GOP WOMEN?

The Senate Republican Leader Says Liberals Get All the Ink

By Bob Dole

AS A PROUD resident of the only state in America with a woman U.S. senator, a woman U.S. representative and a woman governor, I fully understand that neither gender has a monopoly on any political office.

Unfortunately, when it comes to U.S. Senate elections, it appears that one party's women candidates do have a monopoly on the media's attention, as we are seeing again this year in the wide national coverage of women candidates in Pennsylvania and Illinois.

Despite a long record of nominating qualified, dynamic and distinguished women to run for the Senate, the Republican Party's female candidates have never enjoyed the unrelenting media and interest-group cheerleading we hear these days for women Democratic candidates. Apparently, the key to being taken seriously - to being declared a force for "change" - by the media and the so-called women's groups is a liberal agenda, not the female gender.

Now, don't get me wrong. I'm all for more women in government, and I have no problem with the Democrats nominating women candidates. Throughout my career in public service, I've worked with highly talented women - in the House, in the Senate and on the highest levels of my staff, including my longtime chief of staff and her fellow staff experts on health care, disabilities, nutrition, arms control, budget and tax policy. I also happen to be married to someone who knows a lot about being a woman in public service.

Across the nation, Americans are being deluged with television and newspaper stories proclaiming that 1992 will be a "breakthrough" year for women candidates. A recent editorial in a major newspaper raved about Democratic women candidates, declaring that "the fallout from the (Clarence) Thomas hearings has produced viable female Senate candidates in a half-dozen states. That's welcome evidence of progress." Like nearly every story on women candidates, the editorial ignores the fact that well-qualified women were running for the Senate long before anyone ever heard of Anita Hill. And

why should "welcome progress" be defined by the number of women candidates from the Democratic Party?

Where was all the media cheerleading in 1990, a banner year for women candidates, when a half-dozen Republican women - well-qualified women with serious messages - were running hard for the Senate? These top-flight candidates included Sen. Nancy Kassebaum of Kansas; U.S. Reps. Lynn Martin of Illinois, Pat Saiki of Hawaii and Claudine Schneider of Rhode Island; a New Jersey state official, Christine Whitman; and a prosecutor from Delaware, Jane Brady - not exactly an unseasoned lot of public servants.

How many stories did you see in 1990 pointing out that these six outstanding women were running for the Senate as Republicans, while the Democrats were fielding only two women candidates? Instead of rave editorials and "breakthrough" stories, the media turned on its censorship machine, keeping America in the dark about this historic field of women candidates taking on the status quo. Kassebaum was reelected, but when all five women challengers were defeated by their male opponents there was no editorial outcry that the old boy network had prevailed again. (Let me add that two of these talented women now serve in the Bush administration - Lynn Martin as Secretary of Labor and Pat Saiki as head of the Small Business Administration.)

And when Republicans, long before the Thomas-Hill hearings, introduced comprehensive women's-rights legislation - including the first-ever monetary remedies for sexual harassment in the workplace, specific provisions to fight violence against women and the first proposal dealing with corporate discrimination against women - the media gave the plan nothing but the cold shoulder. Regrettably for America's working women, women's rights and Republicans simply don't mix in our nation's newsrooms.

Let's face the facts. Democratic U.S. Senate nominees Carol Moseley Braun and Lynn Yeakel are fast becoming household names. But when was the last time you saw a story on Charlene Haar, another so-called "outsider" who happens to be the Republican U.S. Senate candidate in South Dakota? Notwithstanding a fine opponent, did the Republican former mayor of Charlotte, Sue Myrick, get the same kind of free national hype before North Carolina's Senate primary

that we saw in Pennsylvania on the Democratic side?

How many stories have you seen pointing out that since 1980, Republicans have nominated more women to run for the Senate than have the Democrats? Have you ever heard that women have been the Republican U.S. Senate nominee in New Jersey three out of the four most recent elections? Or that despite being outspent by nearly \$9 million, Christine Whitman came within three points of unseating an incumbent Garden State senator in 1990? If she had gotten half the media attention Lynn Yeakel has, Christine Whitman might very well be sitting in the Senate today.

Unfortunately, it seems that the media and a few special interest groups have decided that Republican women are not "politically correct." Whether they meet some groups' self-proclaimed litmus tests or not, qualified Republican women - whether they are pro-choice or whatever - never seem to merit the support of the groups that say they are so dedicated to electing more women to office, women who could have been already on the job, making a difference on Capitol Hill.

In fact, time and time again, the so-called liberal women's organizations such as the National Women's Political Caucus have done everything possible to defeat talented Republican candidates. There are many fine women's organizations in America, some of which supported these candidates, but it seems obvious that most of the self-styled women's groups are more interested in agendas than gender.

So the next time you hear criticism of the "98 percent male" Senate, or statements that we need "more women" in the Senate, ask yourself whose fault that really is. The female candidates have been there. Regrettably, the votes, the attention and the political will have not.

Bob Dole (Kan.) is the Senate Republican Leader.

March 16, 1994

M E M O R A N D U M

TO: Senator Dole
Congressman Michel

FROM: Members of the Task Force on Economics and Finance

RE: Proposed Legislative Initiatives

The current budget process does not easily lend itself to the achievement of efficiency, cost savings, or reductions in government bureaucracy. Once a government program or expenditure is added to the budget, it immediately benefits from a presumption that next year's budget will fund it at increased levels necessary to maintain the status quo. The result is a "ratcheting" effect: existing programs become entrenched while new ones are added. This system almost inevitably creates pressure for growing expenditures, and ultimately an intractable swelling in the size of the federal government.

The bias in favor of spending has been difficult enough to combat with a Republican administration committed to holding the line on government growth. When the process is controlled by a Democratic administration that pays lip service to fiscal conservatism while pushing a broad-ranging (and expensive) agenda of social programs, the results can be disastrous.

With this in mind, the Task Force has developed several proposals that Congressional Republicans could effectively promote this year. The general theme of these proposals is a reduction of the cost, size, and role of the federal government -- not just through direct budgetary changes but also through fundamental changes in the underlying budgetary ground rules. These recommendations, among other things, would force Congress to be more accountable for spending increases and would shift burdens, as appropriate, from the federal government to the private sector.

In the area of budget reform, the Task Force endorses and recommends the balanced budget amendment as well as the principles contained in the Cox-Stenholm Budget Process Reform Act, H.R. 2929. Legislation such as H.R. 2929 could

serve as an important constraint on federal spending without tying Congress' hands in the event of an emergency. H.R. 2929 need not be a fallback or alternative to a balanced budget amendment -- though if necessary it could serve as a surrogate -- but rather could complement a balanced budget amendment by providing a mechanism for controlling spending. Even supporters of the balanced budget amendment recognize that it could have the perverse effect of forcing increased taxes.

The Task Force also has several additional recommendations, briefly summarized in the pages that follow. For example, one of the proposals is a generic amendment that would require an economic impact statement for every newly-enacted piece of legislation in the form of an economic cost/benefit analysis along the lines of the Johnston amendment, S. 5133. Another proposal would call for an across-the-board reduction in staffing levels at federal agencies. Such measures would force Congress to come to grips with the economic impact of ballooning government bureaucracy -- much as private sector industry has had to implement workforce adjustments to cope with a new marketplace environment requiring increased efficiency -- while making complete assessments of budgetary impacts fully available to the American public.

The attached materials contain descriptions of these recommendations as well as other proposals. Each of these suggestions is consistent with the goals of reducing excessive government intrusion on the private sector and the excessive debt being incurred to fund these intrusions. It is in this area, the Task Force believes, where Congressional Republicans can make their greatest contribution during the remainder of this session.

DWN/dwn

Members of the Task Force

Jerome H. Powell	J. French Hill*
Greg Wilson	Mark Sullivan*
Catherine England*	Bert Ely*
Lamar Smith	Robert L. Clarke
Wendy Gramm*	Richard C. Breedon*
John Dugan	Peter J. Wallison, Chairman.*
Timothy Ryan	

* Participated in the preparation of the attached proposals.

Senator- This issue is
covered in the Whitewater
Special Committee proposal.

Dennis

**PROPOSAL FOR HEARINGS TO ENSURE THE INTEGRITY OF
REPRESENTATION OF GOVERNMENT AGENCIES BY OUTSIDE
COUNSEL**

Background:

The use of outside counsel by the federal government increased dramatically when the legal staffs of the banking agency regulators (and the RTC) were overwhelmed by the volume of work resulting from the last decade's bank and thrift failures. While prior engagements of outside counsel may have been properly monitored, it has been clear for some time that the use of outside counsel by those agencies has not been so monitored either at the time of engagement or subsequently.

The very essence of the attorney-client relationship is that the attorney acts exclusively in the best interest of the client. Where there is an actual or apparent conflict of interest, the essential element of trust is lost. The government, and therefore the taxpayer on whose behalf the government is acting, is no less entitled to conflict-free representation than private clients.

It is now apparent that the conduct of some attorneys representing the FDIC and the RTC may not have met minimum standards of avoidance of conflicts of interest. The extent and nature of the problem is not known at this time; however, there is sufficient anecdotal evidence that it exists. After all, we have just seen the resignation of the third-ranking official in the Department of Justice in the wake of allegations concerning his conduct at his former law firm. If true, these allegations can only be said to be profoundly disturbing.

Recommendation:

Congressional hearings to examine the use of outside counsel by government entities is particularly appropriate at this time. Those hearings could examine the scope of the use of such counsel and measures that are necessary to ensure a correct and ethical representation free from conflicts of interest. Such hearings could also examine whether the fees charged for this representation are consistent with the contractual terms of the engagement and the services provided.

The Whitewater matter and the conduct of counsel retained by the FDIC would be a good starting point for the hearings since many of the issues requiring examination arise out of that engagement. Was the Whitewater representation aberrational, or is it a part of a pattern that undermines the public interest? Only thorough hearings can provide the necessary answer.

The hearings should produce legislation that clearly sets forth ground rules for government engagement of outside counsel, standards for avoidance of real or apparent conflicts of interest, monitoring of the representation and fees charged by such counsel, and the consequences for violations of the rules.

WA940750.014/3+

PROPOSAL TO REDUCE FEDERAL AGENCY PERSONNEL

Background:

The federal government overregulates the American public and the U.S. economy. Federal agencies have created a vast web of unnecessary regulations. One of the fundamental reasons for this behavior is simply that these agencies employ more people than they need for the tasks they are required to perform; there are just too many people employed by federal agencies to write regulations or otherwise be involved in formulating regulatory policies.

A reduction in budget allocations will not be as effective as a reduction in head count. Reduced appropriations, even if they could be achieved, may simply result in the same number of agency employees handing out less money.

Recommendation:

A mandated across-the-board reduction in agency personnel over a specified period of years should be implemented. The reduction would be based on actual staff levels as they exist today, not on authorized staff levels. Such a reduction is the best way to reduce the amount of regulation because it forces the agencies to prioritize their activities and focus only on significant regulatory needs. A reduction plan containing set figures for future years (Gramm-Rudman could serve as an example) would have the advantage of lessening the initial blow to agencies and would provide agencies with an ultimate target to assist them in formulating the best means to implement the reductions from year to year.

WA940750.073/6+

PROPOSAL REGARDING THE USE OF THE COMMUNITY REINVESTMENT ACT OF 1977

Background:

The Clinton administration has articulated its intention to implement a policy of directing credit flows from private sector institutions to targeted groups and areas. Simply put, the administration intends to set up a system of credit allocation that is antithetical to accepted notions of efficiently functioning credit markets.

Federal regulation of insured depository institutions provides the mechanism for the first implementation of this policy. The banking regulatory agencies have proposed new Community Reinvestment Act ("CRA") regulations that would shift the compliance focus from evaluation of the process by which institutions make credit available to the amount of credit extended. The shift in focus from process-based CRA compliance criteria to performance-based criteria not only will institute credit allocation among users of bank credit, but will create a real potential for adverse effects on the safety and soundness of the banking system and the federal insurance funds that stand behind that system.

Asking insured institutions to bear the brunt of the first wave of credit allocation proposals is particularly inappropriate when the government already has in place legislation and executive branch programs to achieve this same goal that should be fully implemented or made more efficient. For example, the Bank Enterprise Act of 1991 (which was enacted as Subtitle C of the FDIC Improvement Act of 1991) provides incentives for banks to provide financial services to targeted communities by means of reductions in deposit insurance premiums. The Act, however, has not yet been funded. Similarly, there is a whole range of community development programs (e.g., the Neighborhood Reinvestment Corporation) and targeted small business programs (e.g., the Small Business Administration's Small Business Investment Company and Special Small Business Investment Company programs) which, with expanded government funding or more efficient administration, could supply government funding to targeted groups.

Recommendation:

Legislation should be proposed precluding the use of bank lending programs to allocate credit and requiring that, so long as the deposits of an institution enjoy the protection of federal insurance, the extension of credit should be governed by safety and soundness considerations. In addition, programs already in place to provide assistance to legislatively determined groups should be fully funded.

PROPOSAL TO REQUIRE AN ECONOMIC IMPACT STATEMENT FOR ALL LEGISLATION

Background:

For several administrations, the safety and soundness of financial institutions and, indeed, the whole banking system, has been a proper focus of attention because taxpayers stand behind the deposit insurance system. At the same time, current and prior administrations have recognized that unnecessary regulations can impede the efficient flow of funds to markets and stifle economic growth.

In light of these concerns, it makes little sense to impose unnecessary layers of regulations that inadvertently undercut the safety and soundness of the financial sector. Therefore, allocating credit to borrowers who are not creditworthy can impair the financial integrity of the lender and reduce funds available to others. Furthermore, unnecessary regulatory requirements reduce productivity, impair the competitive posture of the financial industry, and stifle growth.

Therefore, it is prudent to assess the impact of any regulation affecting insured institutions before final action is taken. One should assess not only the benefits of a regulation, but also the costs and, especially, any additional risk to the safety and soundness of the financial system. If the regulation alters the flow of funds in any way, that impact should be evaluated as well.

This logic is applicable across all financial institutions and, indeed, all programs, and should not be confined to financial regulations alone. Often laws are passed to remedy a problem but the implementation of such laws creates other adverse effects. Some laws are costly to implement. The costs include not only the cost of government employees to implement and enforce new laws, but also the direct and indirect cost to the private sector affected by additional regulations.

Recommendation:

The following legislative proposal requires an economic impact and risk analysis to be performed and published in the Federal Register before promulgation of a final rule. It requires the agency head to certify that such analyses are based on the best available evidence and analysis. The proposal could be a stand-alone law or an amendment to any bill that imposes regulatory costs on the private sector.

The concept is similar to the Johnston amendment, S. 5133, which requires the EPA to conduct benefit/cost and risk analyses of regulations. The Johnston amendment (to the bill elevating the EPA to cabinet status) passed the Senate 95-3. The EPA elevation bill failed in the House because of the support for the Johnston amendment. This notion is neither novel nor politically unacceptable, as evidenced by the size of the vote on the Johnston amendment.

The proposal also includes a regulatory budget -- that is, it places a limit on the total regulatory cost of any law. Just as laws contain authorization for the dollars that can be spent on the programs contained in such laws, a "regulatory budget" could place a limit on the regulatory costs that the law can impose on the private sector.

Legislative Proposal:

- In promulgating any final regulation relating to this law, the (agency head) shall evaluate the impact of this law on the safety and soundness of the financial system and the flow of funds. Implementing regulations shall advance the goals of this law, to the extent possible without adversely affecting the flow of funds or the financial integrity of the institution or the financial system.

- In promulgating any final regulation relating to this law, the (agency head) shall publish in the Federal Register --

- (1) an estimate, performed with as much specificity as practicable, of the economic impact of this law and the costs associated with implementation of, and compliance with, the regulation. The required economic impact analysis must include, but is not limited to, the impact of the law on:

- (for programs and regulations affecting financial institutions, such as the Community Reinvestment Act, Equal Credit Opportunity Act, FDICIA, etc.) safety and soundness of the institution; safety and soundness of the financial system; flow of funds in the economy; the availability and cost of credit or other financial services; and the efficiency of the financial system;

- (for all programs) the agency and other government agencies tasked to implement and enforce this law;
 - (for all programs) the affected firms and their customers, including direct and indirect costs of compliance; and
 - (for all programs); the general public.
- (2) the (agency head's) certification that
- (a) the estimates and economic impact analyses under the above paragraph are based on or supported by the best available evidence and analysis;
 - (b) the regulation will substantially advance the purposes of the act; and
 - (c) the regulation will produce net benefits to the economy that justify the costs of the regulation.
- (3) in the event that the (agency head) cannot make the certification required under subsection (), the (agency head) shall report to Congress that such certification cannot be made and shall include a statement of the reasons therefor in such report and in the final regulations.
- (4) the certification required by this subsection shall not be construed to amend, modify or alter any statute and shall not be subject to judicial review. Nothing in this sections hall be construed to grant a cause of action to any person.
- (5) Each bill introduced in the House and Senate affecting the regulation of financial institutions shall contain a limitation on the maximum cost of implementing the regulations, as calculated in accordance with provisions of this (stand alone) Act. (This provision would be part of a stand alone bill that would require analysis of costs, benefits, and risks to the financial system.)

• In accordance with the (stand alone law), the cost of the implementing regulations shall not exceed \$_____. (This provision would be part of each bill requiring regulations.)

WA940750.075/5+

PROPOSALS FOR LITIGATION REFORM

Background:

Most Americans -- with the notable exception of lawyers who benefit from the current system -- share a deep concern about the institutionalized litigiousness of America's present tort claim structure. The promise of huge contingency fees often puts attorneys into competition with their own clients for a portion of a fixed settlement pie. In such a system, only two outcomes are possible: either victims' recovery from a settlement providing the proper amount of compensation is substantially reduced to give lawyers their cut, or defendants are forced to pay much more than the legitimate amount of such claims even if a case is settled shortly after or before the institution of litigation.

The stakes are vastly increased by huge punitive damage awards and their personal injury second cousins -- damages for unquantifiable "pain and suffering." Because these awards are often based on a percentage of actual medical bills, they create strong incentives for claimants to seek unnecessary treatments. Massachusetts, for example, experienced an increase from 13 to 30 in the median number of treatment visits for accident claims when it raised the minimum level of medical expenses necessary to institute an action under its no-fault automobile insurance system.

Traditional solutions to these problems have often involved caps on the percentage amount of contingency fees or the gross amount of punitive damages or pain and suffering awards. These solutions, however, have other significant shortcomings. Without a principled way to distinguish between the unique circumstances of individual cases, caps must apply equally to routine claims against well-meaning but negligent defendants and hard-fought battles against recalcitrant parties who have acted egregiously. If a cap is set too high, it may have little impact on the current problem. If it is set too low, on the other hand, it may deny justifiable compensation to legitimate tort claimants and may create barriers to obtaining qualified legal counsel to pursue such claims.

Recommendations:

A solution drawing upon proposals suggested by several imminent legal scholars in the area of contingency fee reform could include:

- A prohibition against contingency fees for settlement offers made prior to plaintiffs' retention of counsel;
- A fixed period, such as 60 days after receipt of a demand for settlement from plaintiffs' counsel, for defendants to make a settlement offer including attorneys' fees of ten percent of the first \$100,000 of the offer and five percent of any greater amounts, coupled with an exchange of routinely discoverable information sufficient to allow both parties to make an adequate assessment of the proposal;
- A limitation on contingency fees, if such an offer is made and rejected, to recovery on the excess of the amount received over the amount of the proposal; and
- An absence of any limitation on contingency fees if an offer is not made during the 60 days after the initial demand for settlement.

Similarly, in the area of pain and suffering awards, the following reforms deserve serious consideration:

- A 180-day period for an injury victim whose insurance coverage does not cover all actual damages to assert a claim;
- A period thereafter in which the defendant may choose to make a settlement offer to the plaintiff covering all actual damages;
- A requirement, after refusal of an offer covering all actual damages, that a plaintiff prove beyond a reasonable doubt the existence of intentional or wanton misconduct in order to recover "pain and suffering" or punitive damages;
- An ability to seek pain and suffering or punitive damages without restriction if a qualifying settlement offer is not made.

These proposals have several significant advantages, beyond the control of excessive contingency fees and inflated damage claims. Both create powerful incentives for plaintiffs and defendants to settle their claims without judicial intervention, allowing overburdened courts to turn their attention to other matters. Both proposals also allow the circumstances of individual cases to dictate their results, preserving the opportunity for large recoveries when they are

justified while controlling the abuses that make huge contingency fees and damage awards possible for other, more routine claims.

A third proposal, which would both complement the proposals encouraging settlement and also act as a deterrent to unwarranted, wasteful litigation, would be to implement the "English system" of costs. Under such a system, the losing party in any civil adjudication would be forced to pay either all or some reasonable measure of the winner's attorney's fees and costs.

WL940750.008/3

United States Senate

OFFICE OF THE REPUBLICAN LEADER

WASHINGTON, DC 20510-7020

SENATOR DOLE: F.Y.I.

YOU ARE FAVORABLY
MENTIONED IN THE
SECTION ON CAPITOL HILL.
I'VE HIGHLIGHTED OTHER
INTERESTING THINGS, AS
WELL.

I'LL GET COPIES TO
THE ALBANIANS SINCE
YOUR TRIP TO KOSOVA
IS MENTIONED.

MIRA

F O R E I G N P O L I C Y

Sarajevo's Saviors

Suddenly, after months of dithering, the Clinton Administration is paying more attention to the carnage in Bosnia. It's a dramatic change, and like most things in Washington, it didn't just happen.

BY DICK KIRSCHTEN

Along the 1992 campaign trail, Bill Clinton declared in no uncertain terms that it was in America's interest to halt "the aggression and ethnic cleansing" in Bosnia. But only in recent weeks has he followed through, approving military actions that helped alleviate the siege of Sarajevo and hands-on U.S. diplomatic efforts to advance a political solution to the Bosnian crisis.

In between, Washington has been treated to all manner of political theater staged to get the President and his advisers off the sidelines.

As the Clinton Administration dithered and deferred to disinterested allies, congressional critics and television crews trooped to the war zone. State Department specialists on the region resigned in protest. In front of the White House, candles were lit and rams' horns were blown.

But unlike the guerrilla theater of Vietnam war days, these antics were ignored by most of the country. In Bosnia, no U.S. troops were involved, and most Americans seemed to want to keep it that way. So did the Pentagon's generals and admirals. These facts were not lost on those advising a President who has been preoccupied with a daunting domestic agenda.

For the few who protested against U.S. inaction in an oddly named—to American ears—corner of Europe called Bosnia-Herzegovina, 1993 was a long and unrewarding year.

The Bosnia hawks who persisted in cutting against the grain were a diverse and frustrated lot. The cast of characters included religious leaders who abhorred the bloodletting but were unable to agree on how to stop it (Jews and Muslims urged the use of force, while many Christians opposed it), a handful of high-profile lawmakers unable to sway their colleagues and a television anchor unwilling to let go of the story. (See *NJ*, 10/2/93, p. 2361.)

U.S. citizens of Balkan descent anguished as the death toll mounted—by most estimates to at least 200,000—and the number of people uprooted from their homes rose into the millions. But American Serbs, Croats and Balkan Muslims are few in number and split by the

same religious and ethnic differences that divide the combatants in the splintered remains of Yugoslavia.

But as 1993 gave way to 1994, the accumulating weight of news coverage and political criticism began to bite. In January, a group of influential outsiders who had been privately lobbying the Administration turned up the heat with a public advocacy campaign.

Out of tune with the conventional wisdom of the capital's press corps and the political instincts of the White House, the motley Bosnian lobby nonetheless patched together a public relations strategy and assembled a grass-roots network. Those efforts were aided by a singularly committed financial angel—billionaire investor George Soros—and by principals of two top Washington public affairs firms—the Sawyer Miller Group and the Wexler Group.

But nothing has altered the debate so much as the Feb. 5 marketplace shelling in Sarajevo that killed nearly 70 civilians. Although probably not the bloodiest episode of a war that already had killed 30,000 children and six times as many adults, the carnage in the market was carried into U.S. living rooms by television cameras that arrived in its immediate aftermath.

As fate would have it, the anchorman of the major TV network that has covered the Bosnian war most closely, ABC's Peter Jennings, was in Sarajevo at the time and provided on-the-scene reportage. Jennings augmented his dramatic coverage by accompanying the wounded on a medivac flight to an American military hospital in Germany.

REFUGEE RELIEF NETWORK

International refugee relief work has never been a hot topic on the Washington cocktail circuit, but those who have labored in that field have formed strong personal bonds over the years.

When Soros, the phenomenally successful Hungarian-born financial speculator, decided in December 1992 to direct \$50 million in philanthropic assistance to

Bosnia, he sought advice on how best to assure that the money would be put to good use.

Sawyer Miller Group partner Mark Malloch Brown, who describes Soros as a former client, helped pull together an international advisory committee to oversee the Soros grant. The British-born Brown had little trouble finding a core group of Americans to take on the task.

He tapped into a network forged long ago and far away in the teeming refugee camps of Thailand. In 1979, when hundreds of thousands of Cambodians were displaced by the Vietnamese invasion of their country, Brown spontaneously interrupted his career as a reporter for *The Economist* to become field director for the U.N. High Commissioner on Refugees.

In that post, he worked closely with Morton I. Abramowitz, then the U.S. ambassador to Thailand, and Lionel A. Rosenblatt, the U.S. refugee coordinator. Others thrown together by the Cambodian refugee crisis included Abramowitz's

wife, Sheppie, a volunteer worker in the camps, and Fred Cuny, a civil engineer from Texas. Most of them crossed paths again in 1991, when Abramowitz, as ambassador to Turkey, was in the thick of efforts to aid Kurdish refugees following the Persian Gulf war.

Abramowitz, now president of the Carnegie Endowment for International Peace, agreed to serve on Soros's advisory committee along with Brown and Aryeh Neier, the former executive director of Human Rights Watch, now the president of a Soros foundation. Rosenblatt, now president of Refugees International, a small nonprofit agency, became the panel's executive director.

Cuny, not surprisingly, ended up in Sarajevo to supervise construction of a desperately needed water purification and pumping plant made possible through Soros's philanthropy. Sheppie Abramowitz remains in the loop as vice president for government affairs in the Washington office of the International

Rescue Committee Inc., which is providing support for Cuny and other relief workers in Bosnia.

Rosenblatt said the group initially saw Soros's gift as meeting a short-term need: alleviating Bosnian suffering during the winter of 1992-93 until peace efforts could be concluded. "At first we felt Bosnia—since it was a situation in the middle of Europe—would not become a protracted humanitarian crisis," he said.

But Soros's advisers soon decided that more needed to be done to prod the U.S. government into greater involvement in efforts to halt the primarily Serbian aggression. On the Sunday before Clinton's inauguration, the advisory committee—with the Sawyer Miller Group's assistance—place an ad in *The New York Times* headlined "Don't Let Sarajevo Die." It urged the international community to issue an ultimatum to the Serbian leadership in both Serbia and Bosnia, to be followed up, "if necessary, by force."

In April and May, two more ads followed in *The Washington Post*. One of them, an open letter to Clinton, urged a comprehensive strategy of lifting the arms embargo against Bosnia and authorizing air strikes against artillery that was firing on humanitarian supply routes and safe havens. Citing Clinton's expressions of concern about Bosnia as a candidate, the ad declared: "Mr. President, it is time to translate your words into action."

By midsummer, Soros and his advisers concluded that a more muscular advocacy campaign was needed. Explaining in an interview that he preferred to keep his personal advocacy separate from his business, Sawyer Miller's Brown encouraged the group to engage the services of the Wexler Group, headed by former Carter White House outreach expert Anne Wexler.

The first step was to line up big names that could be expected to bring more clout to bear on the Administration. The approach was bipartisan, with former Reagan White House aide Thomas F. Gibson, a Wexler Group vice president, working the issue along with Wexler. Abramowitz played a considerable role in making contacts and shaping strategy for the expanded effort.

A new group, the Action Council for Peace in the Balkans, was formed with a steering committee of marquee-worthy names from across the political spectrum. Former secretaries of State Edmund S. Muskie and George P. Shultz signed on, as did former White House national security advisers Zbigniew Brzezinski and Frank C. Carlucci III. The list of two dozen names included a half-dozen Members of Congress and various think-tank luminaries and former officeholders.

But as steering committee member

SO FAR, K STREET'S DOING OK

While the Clinton Administration struggled to find its voice on the subject of Bosnia, many of Washington's public relations firms were in full cry.

When billionaire financier George Soros shifted his focus from humanitarian relief to trying to influence U.S. policy, two major PR shops, the Sawyer Miller Group and the Wexler Group, offered advice.

The Washington office of Ruder-Finn Inc. harvested an industry award for its representation of the Republic of Croatia from May-December 1992. Somewhat ironically, another Washington firm, Waterman Associates Inc., now has the Croatia government's business (a year contract for \$300,000).

But Ruder-Finn's Global Public Affairs division still has a busy Balkan agenda. According to division president Jim Harff, the firm represents the government of Bosnia-Herzegovina and anti-Serb officials of the once-autonomous province of Kosovo, which is now under Serbian domination. Ruder-Finn also continues to perform work for tourism officials in Croatia.

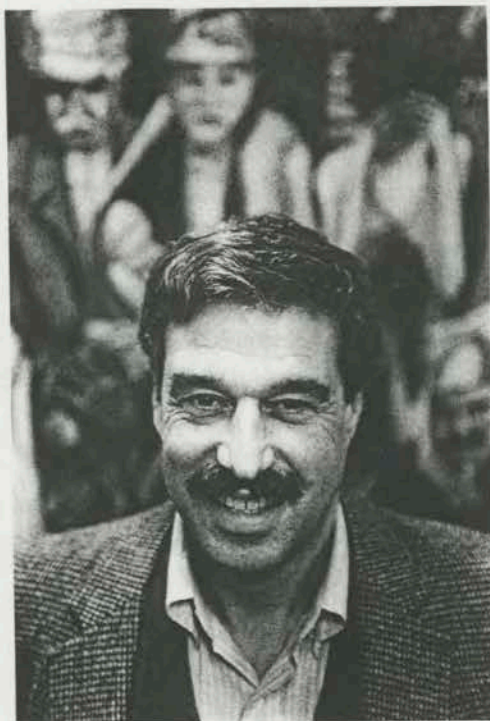
Under the economic sanctions against Serbia imposed by the United Nations in 1992, the Serb government is unable to hire U.S. press agents to tell its side of the story. But Serbian-American organizations are attempting to fill the void. Using primarily pri-

ate contributions, SerbNet Inc., a coalition of Serbian-American organizations, runs a news service based in Chicago, the Serbian American Media Center. Another group, the Serbian American Voters Association, operates on a shoestring budget in the Washington area.

Several Washington PR consultants have provided counsel to Serbian-American interests in conjunction with public advocacy or humanitarian efforts. The list includes David Keene & Associates, Manatos & Manatos Inc. and Craig Shirley & Associates. Many Serbian-Americans complain that the press ignores the plight of innocent civilians in Serbia severely squeezed by the embargo against the country's militaristic leaders.

On all sides in the Balkans there has been widespread civilian suffering and documented cases of atrocities committed by combatants. As a result, emotions run high among U.S. citizens with Balkan relatives or forebears. PR operatives for the various sides have engaged against one another in their own war of harsh recrimination.

Harff estimates that there are as many as 2.5 million Croatian-Americans and perhaps 2 million Serbian-Americans. Bosnia's Muslims have few American kin, but attract sympathy from U.S. Muslims of various national backgrounds.



Richard A. Bloom

**Refugees International's Lionel A. Rosenblatt
Prodding Washington to act forcefully in Bosnia**

Hodding Carter III, State Department spokesman during the Carter Administration, "It felt pretty futile for some time." He said the participants feared that "the combination of public apathy, indifference and confusion, coupled with the Administration's resolute lack of leadership," would prevent anything from changing.

Neier and Rosenblatt made frequent trips to Bosnia, including to besieged Sarajevo, for firsthand assessments of the situation. Late in the year, Rosenblatt's organization began publishing "*Bosnia Winter Watch*" bulletins that detailed the badly deteriorating situation.

But the Action Council's influential steering committee got nowhere with its strategy of relying upon private contacts with Administration officials and occasional op-ed pieces. "I'd love to tell you about our great success," Carter added, "but it was events on the ground that changed much of the equation."

Just before the marketplace massacre, however, the Action Council shifted gears and went public. It held its first press conference on Jan. 6 and soon thereafter opened offices in Washington and Amsterdam to conduct ongoing public advocacy activities. "When they didn't see the light, we realized they'd have to feel the heat," the Wexler Group's Gibson said.

FILM FROM GROUND ZERO

"Good timing makes for good news," ABC's Jennings said in a recent interview

in which he explained how he and his crew happened to be in Sarajevo—just two blocks from the central marketplace—when the fateful shell exploded on Feb. 5. Jennings was in Bosnia reporting for an hour-long special that aired on March 17. It was his second trip to the Balkans and his second special on the subject.

But as Andrew Tyndall, publisher of a newsletter that analyzes television news content, points out, if a major network anchor was going to be there, the odds were that it would be Jennings.

The January issue of the *Tyndall Report* lists the airtime devoted by the three major U.S. TV networks to coverage of the war in Bosnia during 1992-93—both as an international news story and as an American foreign policy story. ABC, with 653 minutes, was far and away the leader. CBS devoted 35 per cent less time to the subject, and NBC 60 per cent.

"NBC apparently decided to quit the story at the same time Clinton did," Tyndall said in an interview. Tyndall also pointed out that the Canadian-born Jennings and ABC deliberately take a more international approach to news coverage. Significantly, Jennings's program is titled *World News Tonight*. "ABC is also the network of the 1984 Winter Olympics in Sarajevo," Tyndall noted.

Jennings, although he's covered other Olympics for ABC, wasn't a part of the 1984 Sarajevo coverage. But his boss, ABC News president Roone Arledge, was there. "Because he knew Sarajevo as a peaceful

place," Jennings said, Arledge "on several occasions" has encouraged the news staff to include that perspective in its reports on what has since happened to the city.

When asked why he has pursued the Bosnia story more tenaciously than his rivals, Jennings replied: "First of all, it's a major news story—a war in the heart of Europe." He added that it's also the first opportunity to "judge American political, diplomatic and military behavior" in the context of the post-Soviet world order.

ABC's coverage has not been without costs. Producer David Kaplan was killed by a sniper's bullet in 1992. Reporter Tony Birtley was seriously wounded in the leg by shrapnel last year. But Jennings said he felt morally obligated to go to Bosnia himself. "Because it has so many echoes of an earlier war," he said, "I did not want to look back some years hence and say either to myself or my kids that I didn't go and bear some witness to what was happening."

Jennings volunteered praise for other journalists—in particular *New York Times* correspondent John F. Burns—who have been heavy-lifters in keeping the world's eyes focused on Bosnia. "If anyone has come close to saving Sarajevo, I think it is Johnny Burns," he said. Last year, Burns shared the Pulitzer prize for international reporting with *Newsday's* Roy Gutman.

Aside from his writings in *The Times*, Burns delivered an introductory statement for a film, *Sarajevo Ground Zero*, produced by a multi-ethnic group of Bosnian filmmakers that poignantly depicted the cruelty and suffering of the ongoing war. A New York City production company, Globalvision Inc., with assistance from a Soros foundation grant, distributed copies of the film to print and television journalists last year. But Glob-



Leindorfer/REA/SABA

**Billionaire investor George Soros
He's pumped \$50 million into the efforts of an international advisory team.**

alviation spokeswoman Michelle Dean said that virtually no U.S. TV outlets were willing to air it.

Although the Administration's more active role in negotiating an accord between Bosnian Croats and Muslims seemed to have been prompted by television coverage of the marketplace massacre, Jennings said he didn't feel triumphant or personally vindicated. He insisted that television "only rarely" plays a role in setting the nation's agenda, and then only when there has been a "vacuum of political leadership." He noted that "until quite recently," his own lengthy Bosnian coverage served as an example of television's lack of impact on policy.

"People are saying, 'Jesus, this is no way to make policy,' and I couldn't agree with them more," Jennings said. He added that when he was a correspondent contributing to ABC's "Nation Held Hostage" coverage of the American captives in Iran, he wished President Carter had more boldly declared that the United States would not bow to such a terrorist tactic.

OTHER BATTLEFIELD REPORTS

Senate Minority Leader Robert Dole of Kansas, whose repeated criticisms of Clinton have a hard partisan edge, was sounding off about the Balkans back when George Bush was considered a shoo-in for reelection.

In August 1990, before the breakup of Yugoslavia, Dole led a congressional delegation to the Serb-dominated province of Kosovo, which has a 90 per cent Albanian Muslim population. His office has been cranking out press releases railing against Serbian oppression in the Balkans ever since.

Dole is perhaps the earliest and most consistent member of a vocal congressional minority that has viewed the religious and ethnic warfare in the Balkans as a matter of strategic concern to the U.S.-led Western Alliance. Rep. Frank McCloskey, D-Ind., after visiting Croatia in December 1991, became a passionate voice for intervention. (See *NJ*, 2/5/94, p. 336.)

Sen. Joseph R. Biden Jr., D-Del., after traveling to the former Yugoslavia in April 1993, issued an eloquent report that affirmed Bosnia's multi-ethnic integrity and right to self-defense. "For reasons of both conscience and stark self-interest," he urged the West to "respond to Serbian aggression in the only language aggressors understand."

Others who issued early calls for intervention—and incurred the wrath of Ser-



Peace group's Morton I. Abramowitz
He's helped make contacts and shape strategy.

bian-American groups in the process—include Sens. Dianne Feinstein, D-Calif., Joseph I. Lieberman, D-Conn., Richard G. Lugar, R-Ind., and Strom Thurmond, R-S.C., and Reps. David E. Bonior, D-Mich., Steny H. Hoyer, D-Md., Tom Lantos, D-Calif., Susan Molinari, R-N.Y., and Dana Rohrabacher, R-Calif.

Within the executive branch, dissent over Administration policy on Bosnia initially erupted on President Bush's watch and accelerated after Clinton took over the Oval Office. The first protest resignation at the State Department occurred in August 1992. George Kenney, then the acting Yugoslavia desk officer, walked out in the hope of stimulating broader public debate of the atrocities being reported in Bosnia.

Following a July 21, 1993, press conference at which Secretary of State Warren M. Christopher appeared to back away from previous statements supporting air strikes and declared that the United States was doing everything that it could that was consistent with national interests, Bosnia desk officer Marshall Harris and State Department analyst Jon Western quit. Within a month, another young officer on the Bosnia desk, Stephen Walker, resigned.

The fifth resignation over Bosnia, involving by far the most senior State Department official, came last Jan. 7, when former U.S. Ambassador to Yugoslavia Warren Zimmerman, 59, announced plans to retire. In an interview, Zimmerman confirmed reports that he

was leaving both as a protest over U.S. policy in the Balkans and because he had not been appointed to a new post that he had sought.

Since leaving the State Department, neither Harris nor Walker has disappeared from the fray. Harris, after a stint on Capitol Hill, now heads the Washington office of the Action Council for Peace in the Balkans, conveniently located across the street from the National Press Building. The space is shared with the American Committee to Save Bosnia, an umbrella group organized with Walker's assistance in December and which he serves as executive director. Roughly 40 grass-roots groups around the country are affiliated with the committee.

Not everyone in the State Department who is unhappy with U.S. policy in Bosnia has found it necessary to resign to be heard. Foreign service officer Richard Johnson has rattled cages at Foggy Bottom during a pair of assignments outside the department.

First as a congressional fellow assigned to the office of Indiana's McCloskey and more recently as a student at the National War College, Johnson lambasted the Clinton Administration for its reluctance to acknowledge that the ethnic cleansing occurring in Bosnia falls within the terms of the 1948 U.N. convention on genocide.

In a Jan. 1 paper that Johnson wrote at the War College, he described a State Department luncheon at which Nobel peace prize laureate Elie Wiesel of the U.S. Holocaust Memorial Council sought to convince two high-ranking Clinton appointees at State that it was morally imperative for the United States to take action against Serb concentration camps and mass murders in Bosnia. Johnson, who was at the April 28, 1993, session, wrote that one of the State Department officials informed Wiesel that "even higher moral stakes were at play—the survival of the fragile liberal coalition represented by this presidency."

But this year, when State issued its country-by-country report on human rights practices during 1993, it acknowledged that genocide has occurred in Bosnia. The Jan. 31 report states that the Bosnian Serb militia, with backing from Serbian authorities in Belgrade, undertook "a brutal campaign of terror—in which acts of genocide took place."

Although pleased with what they see as movement in the right direction, Rosenblatt and his colleagues view the conflict as far from resolved. "We're digging in for the long haul," he said. ■

Suzanne

PUBLIC OPINION PULSE

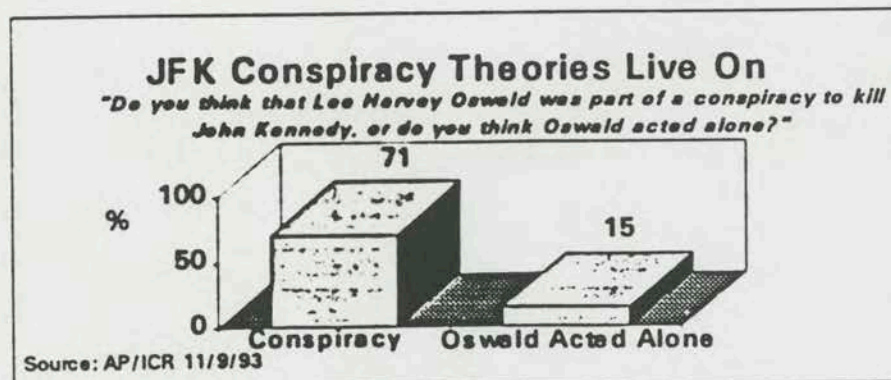
A Summary of National Survey Results
National Republican Senatorial Committee, Polling Services

Jeff Willis, Director of Polling Services

18 March 1994

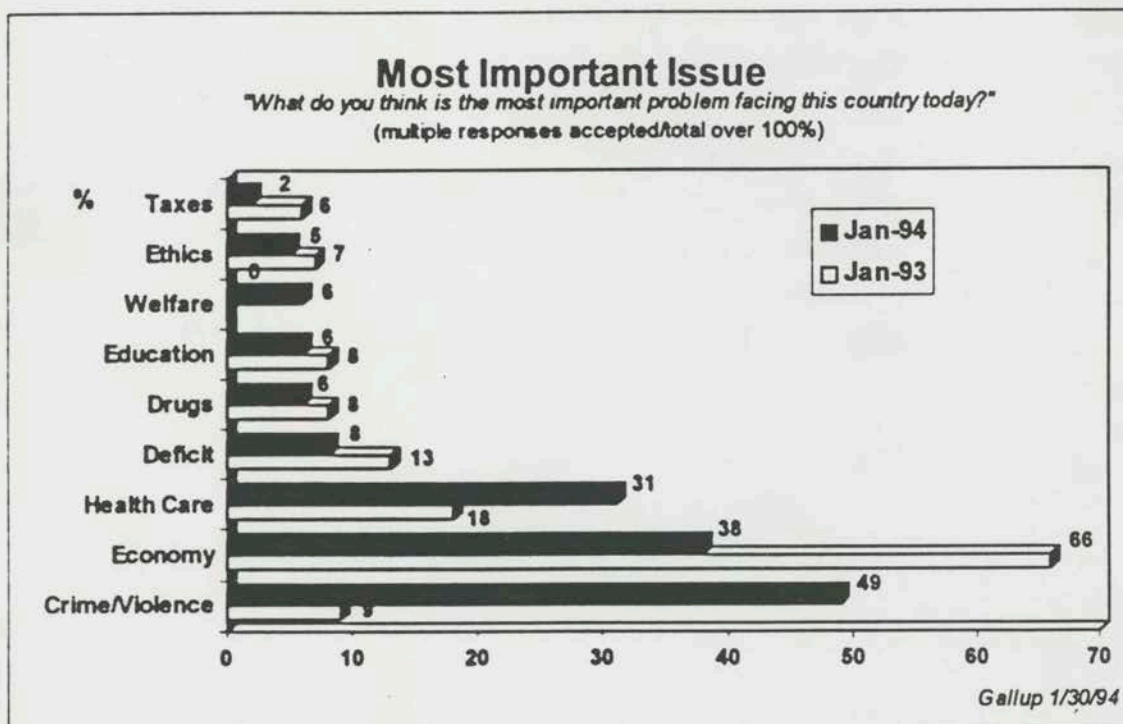
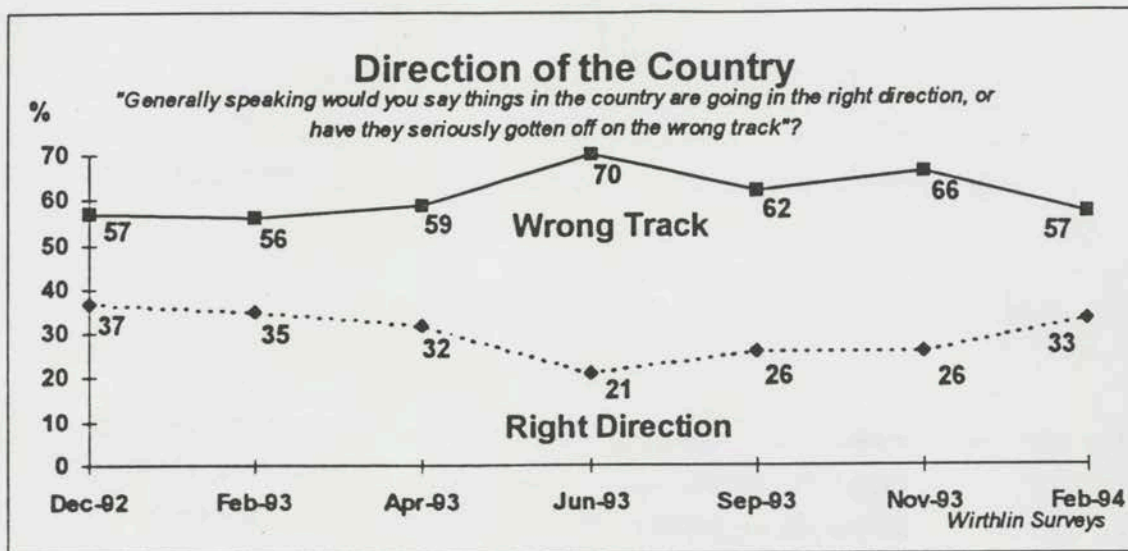
In this Issue

- ◇ Political Climate *Pessimism lingers; crime, economy & health care top list.*
- ◇ Honesty *Doctors are tops, police average, Clinton low, Congress ↓*
- ◇ Parties *Republican image rebounds from '92; congressional ballot tied*
- ◇ Congress *Support for "your" representative still weak, but up from '92*
- ◇ Clintons *High negatives for both Bill & Hillary; Whitewater suspicious*
- ◇ Economy *Optimism still scarce; many see recession; even libs for BBA*
- ◇ Crime *Most folks safe; "3-strikes", penalties & social fixes needed*
- ◇ Welfare *System rotten; reform high priority; "workfare" & limits backed*
- ◇ Health Care *More problem than crisis; universal coverage means access, not free care; employee-basing resisted; ClintonCare fading*
- ◇ Foreign Policy *"Realpolitic" means eco, defense, enviro focus; split on Bosnia*
- ◇ Labor Unions *Labor under a cloud, seen hurting U.S. & working Americans*



Political Climate

Pessimism about the direction of things lingers, although not at the acute levels of last summer. Concerns about crime and violence and health care jump from early 1993, while economic concerns lessen but still remain high.

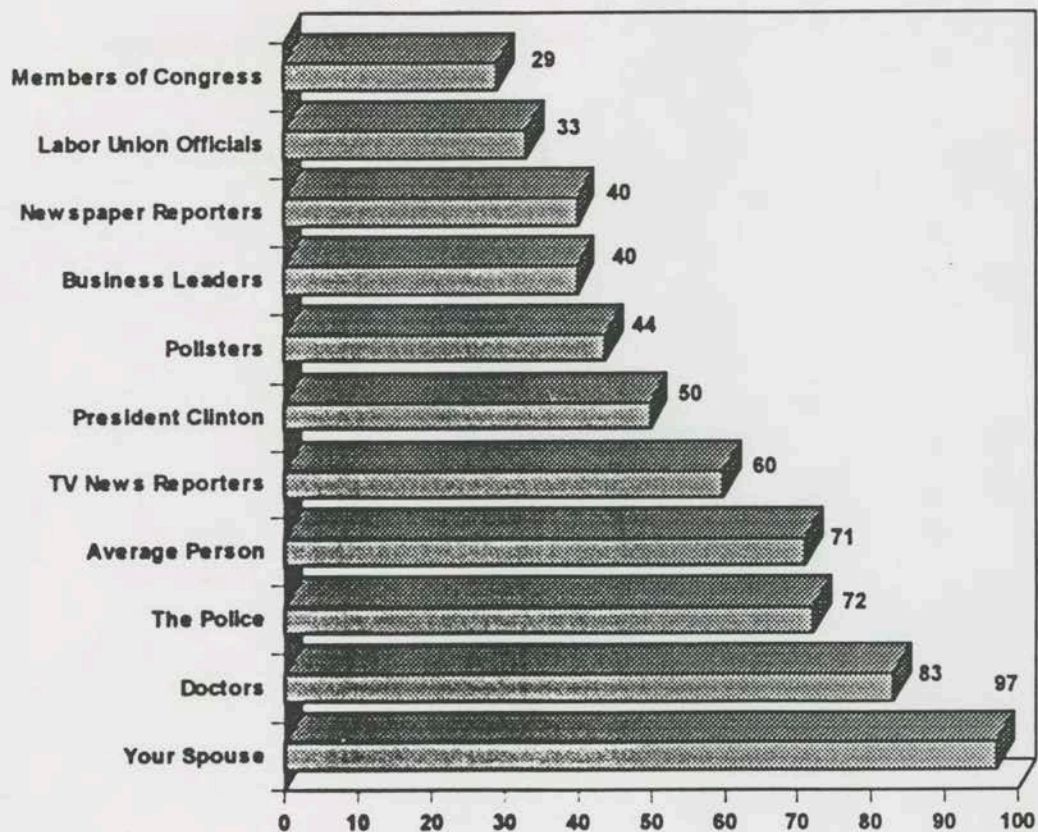


Honesty

Nearly all see doctors as truthful, while business and union leaders are poorly rated. The police are only about average. TV reporters are trusted more than print journalists. Clinton is trusted less than the average person; pollsters are even lower and Congressmen are the least trusted of all.

Telling the Truth

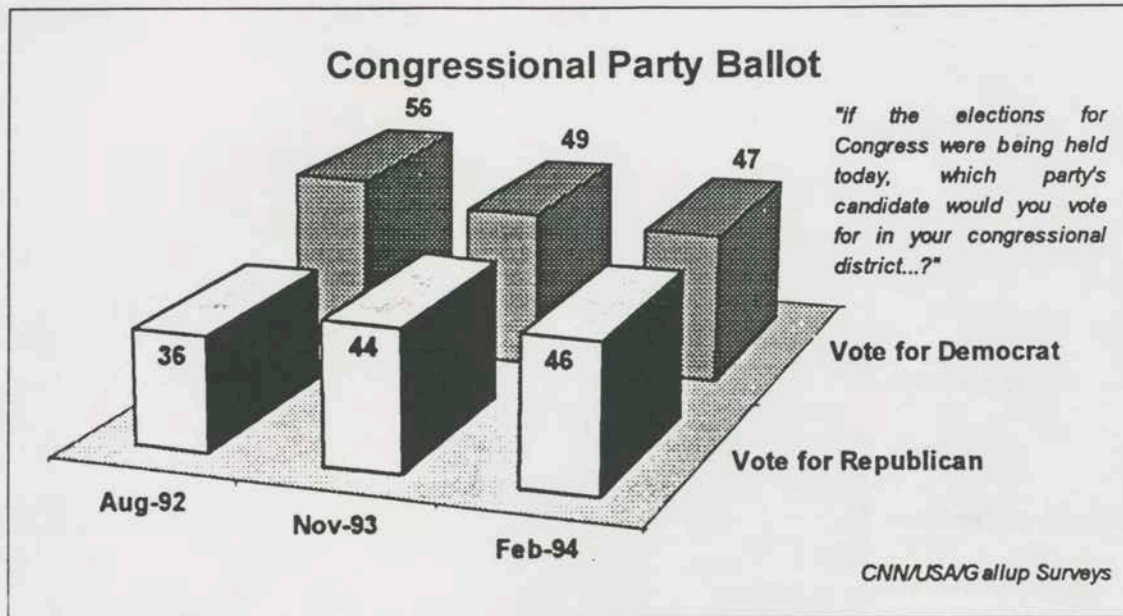
Percentage Who Said These People Generally Tell the Truth



Washington Post 2/9-13/94

Parties

Image of Republican Party rebounds from '92 lows, closing the gap with Democrats and resulting in a toss-up on the Congressional Party Ballot.



- Presidential Party/Ideological Ballot:** *"All other things being equal, if the choice in the next Presidential election were between a liberal Democrat and a conservative Republican, who would you be most likely to vote for?"*

Liberal Democrat	25%	
Conservative Republican	51	[Fabrizio McLaughlin 2/18/94]

- Party Name ID:** *"I'm going to read you the names of several public figures and institutions. I'd like you to rate your feelings toward each one as either ...positive or ...negative."*

	<u>10/92</u>	<u>1/94</u>	
Republican Party			
Positive	31%	47%	
Negative	47	25	
Democratic Party			
Positive	48	40	
Negative	27	28	[Hart/Teeter 1/18/94]

Congress

Trust in government is low among Americans of whatever partisan stripe, but support for "your" representative - - though weak - - is up over 1992.

- **Trust in Government:** "How much of the time do you think you can trust government in Washington to do what is right? Just about always, most of the time, or only some of the time?"

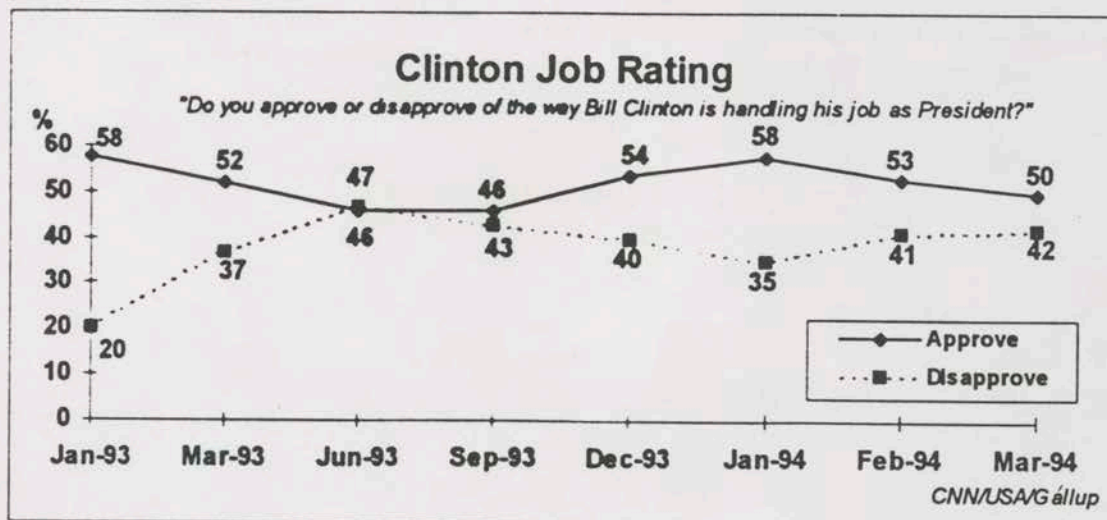
	<u>All</u>	<u>Republican</u>	<u>Independent</u>	<u>Democrat</u>	
All/Most of the time	20%	14%	17%	26%	
Only sometimes/Never	79	86	81	73	[CNN/USA/Gallup 1/30/94]

- **Congressional Reelect:** "Looking ahead to this year's election for U.S. Congress, do you feel your representative deserves to be reelected, or do you think it is time to give a new person a chance?"

	<u>10/92</u>	<u>1/94</u>	
Reelect representative	31%	35%	
Give new person a chance	56	47	[Hart /Teeter 1/18/94]

Clintons

High negatives - - now including PERSONAL unfavorables - - dog BOTH Clintons, leaving him with only narrow job approval, despite "bully pulpit" gains from S.O.U. Speech. Suspensions about Whitewater are high, with many already convinced that both Clintons broke the law and congressional hearings are warranted.



- **Hillary Rodham Clinton Job Approval:**

Approve	58%	
Disapprove	39	[CNN/USA/Gallup 3/7-8/94]

- **Clinton Name IDs:**

	<u>Bill</u>	<u>Hillary</u>	
Favorable	38%	38%	
Unfavorable	42	42	[Princeton/Newsweek 3/11/94]

- **Legality of Clinton Actions on Whitewater:**

	<u>Bill</u>	<u>Hillary</u>	
Did something illegal	36%	36%	
Did not do anything illegal	44	42	[ABC 3/7/94]

- **Seriousness of Whitewater:** *"As you may know, President Clinton and his wife are involved in a controversy over an investment they made in Whitewater Development Corporation in Arkansas and their involvement in a failed savings and loan in the 1980s while Clinton was governor of Arkansas. ...In your view, are the suspicions against the Clintons very serious or not very serious?"*

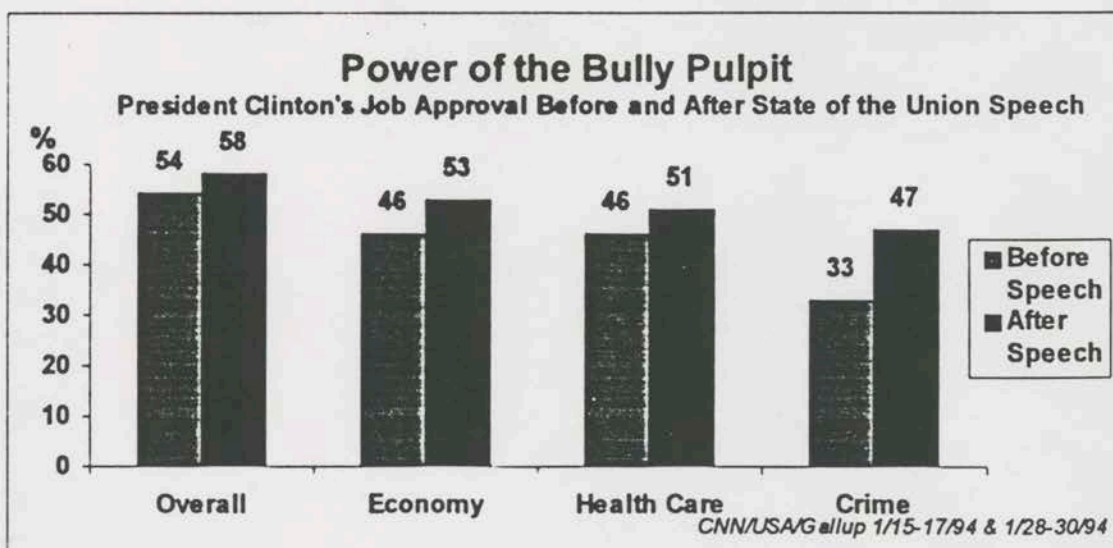
Very serious	40%	
Not very serious	49	
Somewhat serious	4	[Time/CNN 3/10/94]

- **Openness of Clintons on Whitewater:** *"Do you believe what the Clintons have said publicly about their roles in these matters, or do you think they are hiding something?"*

Hiding something	51%	
Believe Clintons	33	[Time/CNN 3/10/94]

- **Congressional Hearings on Whitewater:**

Yes, hearings should be held	52%	
No, hearings should not be held	40	[Princeton/Newsweek 3/11/94]



Economy

Hard economic data to the contrary, optimism is scarce, with fully half saying we're in a recession. Support for a balanced budget amendment is massive across all ideologies.

- Balanced Budget Amendment:** "Would you support or oppose a Constitutional amendment to require a balanced federal budget?"

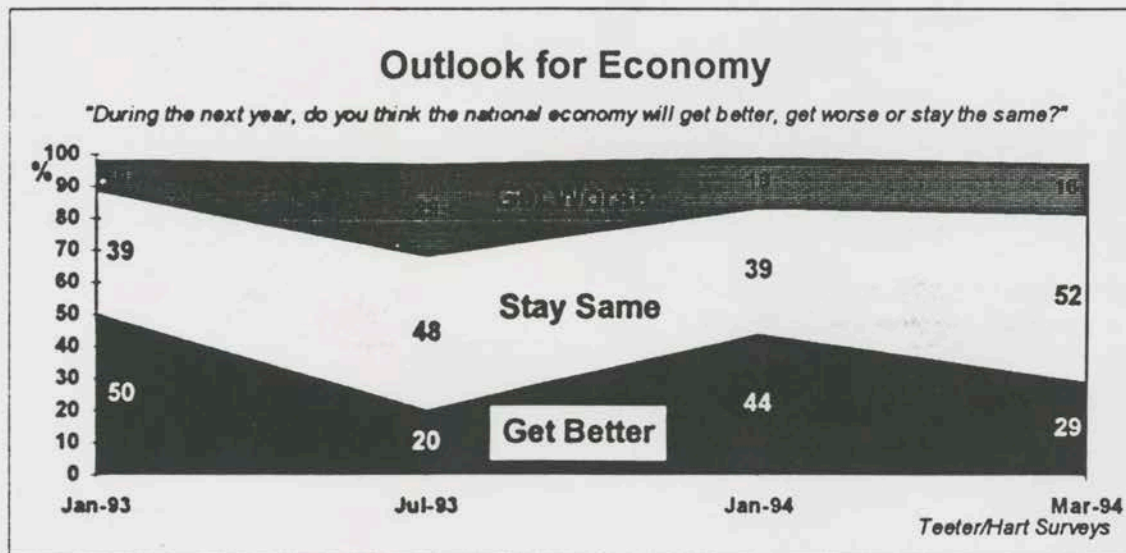
	<u>All</u>	<u>Conservatives</u>	<u>Moderates</u>	<u>Liberals</u>	
Support	74%	76%	73%	75%	
Oppose	19	18	20	20	[CNN/USA/Gallup 1/30/94]

- Economy During Past Year:** "During the past year, do you think the national economy has gotten better, gotten worse, or stayed about the same?"

Has gotten better	32%	
Has stayed about the same	50	
Has gotten worse	17	[Hart/Teeter 1/18/94]

- Recession:** "Do you think the U.S. is or is not currently in an economic recession?"

Currently in recession	51%	
Not currently in recession	42	[Hart/Teeter 3/8/94]



Crime

Although few personally experience crime in their own community, concerns have grown and tougher measures are seen as the solution, including "Three Strikes and You're Out", despite the costs. Dealing with underlining causes is also backed.

- **Personal Experience with Crime in Community:** *"When it comes to the threat of crime, how safe do you feel in your community?"*

Safe	83%	
Unsafe	17	[LA Times 2/14/94]

- **"Three Strikes and You're Out":** *"The 'three strikes and you're out' law would swell the number of prisoners and many states would have to build new prisons. New taxes might have to be raised and other funding may have to be cut or transferred to corrections."*

Favor "three strikes" despite the cost	58%	
Favor it depending on the costs	21	
Oppose	17	[LA Times 2/1/94]

- **Tougher Punishments vs Treating Causes:** *"I would like to read you two statements about proposals to reduce crime. Please tell me which of the statements comes closer to your point of view. (A) We need a tougher approach to crime with an emphasis on stricter sentencing, capital punishment for more crimes, and fewer paroles for convicted felons; OR (B) We need a tougher approach to dealing with the causes of crime with an emphasis on improving job and vocational training, family counseling, and the number of neighborhood activity centers for young people."*

Stricter punishments	42%	
Deal with the social causes	48	[Hart/Teeter 1/18/94]

- **Combating Drugs:** *"Let me read you four steps that might be taken by the government to deal with the drug problem. Please tell me which one you think would be the most effective in dealing with the drug problem."*

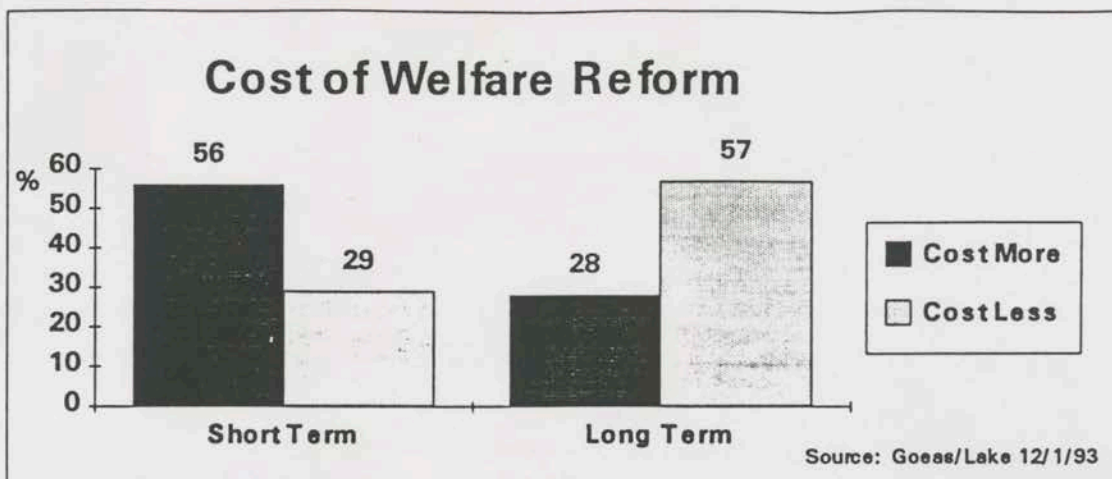
More involvement with countries where drugs are produced to stop drug production.	15%	
More and better education and anti-drug awareness programs	26	
Tougher law enforcement and sentences against people who sell and use drugs	46	
More and better treatment for people who use drugs	9	[Hart/Teeter 1/18/94]

Welfare

Despite the hype given to the health care "crisis", more see welfare reform as the priority. The welfare system is believed to do more harm than good. "Workfare" is strongly favored by most, and tighter limits on benefits are strongly backed by many.

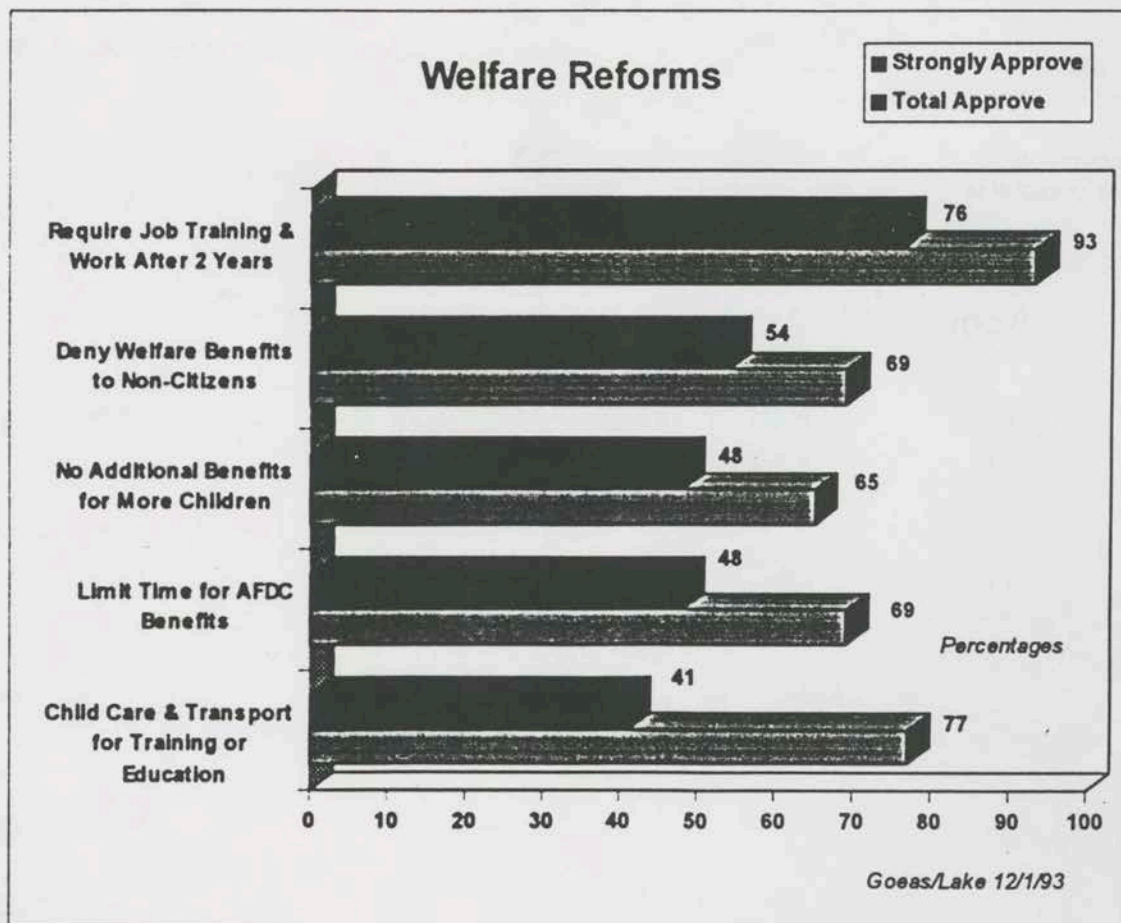
- **Priority - - Welfare or Health Care:** *"Which of these two issues should be dealt with first?"*

Welfare reform	49%	
Health care reform	43	[CBS/NY Times 1/17/94]



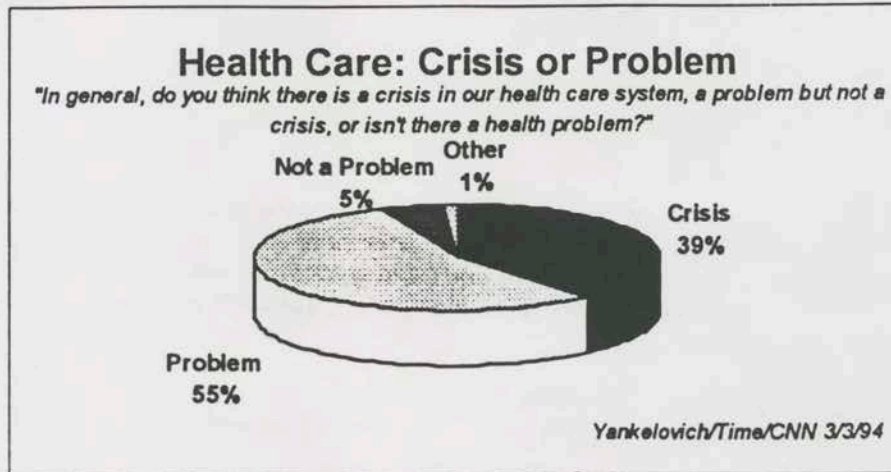
- **Impact of Welfare System:** "I would like to read you two statements about the welfare system. Please tell me which of these statements about this issue comes closer to your point of view. (A) The welfare system does more good than harm, because it provides assistance and training for those who are without jobs and live in poverty. Or (B) The welfare system does more harm than good, because it encourages the breakup of the family and discourages the work ethic."

Welfare does more good than harm	19%	
Welfare does more harm than good	71	[Hart/Teeter 1/18/94]



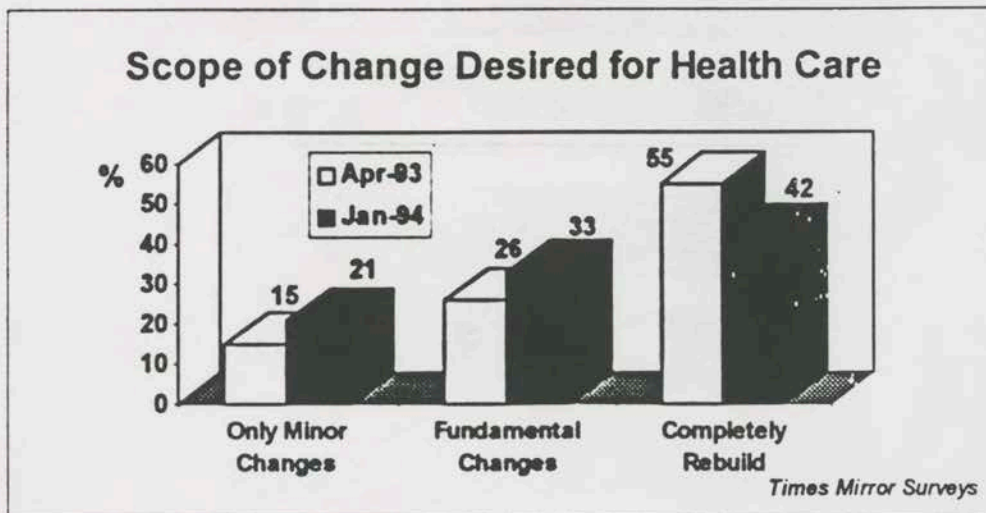
Health Care

A "Crisis" mentality is born more by politicians than patients, with many backing universal ACCESS but not tax hikes for FREE CARE. Resistance to employee-based funding is evident, but employers are not expected to cover part-timers. For the first time, ClintonCare meets with net disapproval, but the perceived absence of alternatives makes it better than nothing.



- **1993 Passage of Reform:** *"If Congress does not pass a health care reform bill this year, would that be acceptable or unacceptable to you?"*

Acceptable	60%	
Not acceptable	35	[Teeter/Hart 3/8/94]



- **Universal Coverage Guarantee vs Access to Buy:** *"Government should guarantee..."*

Health coverage to all	53%	
Only access to health coverage to those who buy it	41	[CBS 2/21/94]

- **Tax Hikes for Universal Coverage:** *"Would you prefer a health care reform plan that raises taxes in order to provide health insurance to all Americans, or a plan that does not provide health insurance to all Americans but keeps taxes at current levels?"*

Raises taxes, health care for all	46%	
Taxes at current level, no health care for all	42	[Yankelovich 2/10/94]

- **Veto Threat over Universal Coverage:** *"Should President Clinton refuse to sign a health care reform bill that would not provide universal health coverage for all Americans?"*

Yes, he should refuse to sign	47%	
No, he should not refuse to sign	43	[Teeter/Hart 3/8/94]

- **Pre-Existing Conditions:** *"Insurance must be available for those with pre-existing conditions."*

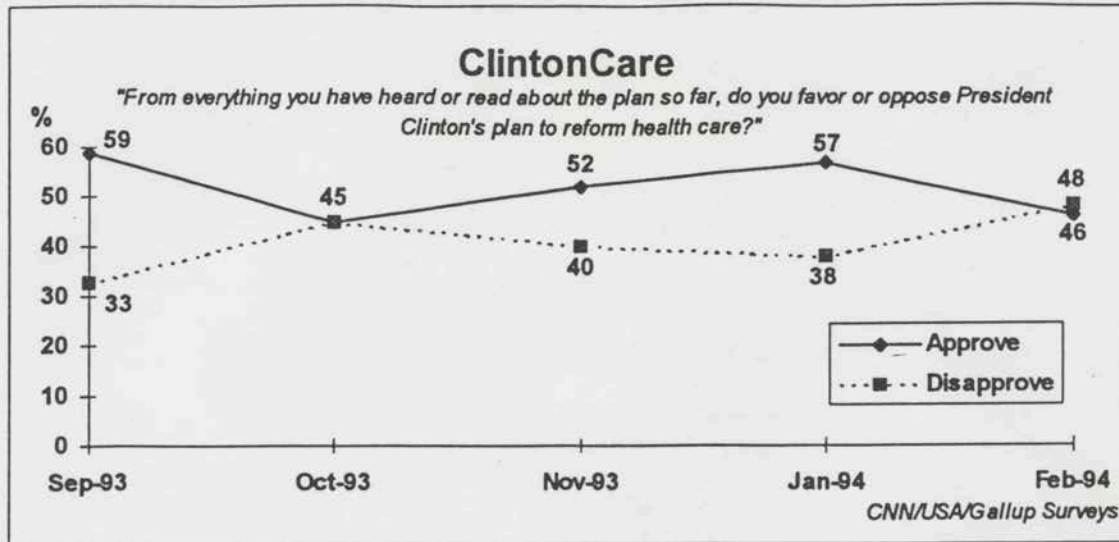
Approve	86%	
Disapprove	10	[Princeton 2/4/94]

- **Employer vs Employee Purchase:** *"If you are employed, and your health insurance costs would not be affected, would you prefer to have your employer contribute directly to the cost of your health insurance policy at work, or have your employer give you the cash value of their contribution and buy your own health insurance policy?"*

Employer contribute directly	62%	
Employer give you cash value	31	[Harvard & Princeton 1/16/94]

- **Employer Mandates for Full-time and Part-time Employees:** *"Do you think all employers, including small businesses which employ few workers, should be required to pay for health insurance for every full-time employee/every part-time employee, or don't you think so?"*

	<u>Full-time</u>	<u>Part-time</u>	
Should be required	60%	31	
Should not	37	63	[Yankelovich 2/10/94]



- **Awareness of ClintonCare:** *"How much do you feel do you know about Clinton's health care plan - a lot, a little or do you feel you know almost nothing to it?"*

A lot	24%	
A little	62	
Almost nothing	14	[ABC/Wash Post 2/27/94]

- **Awareness of Alternatives:** *"Have you heard of another health plan that is better than Clinton's?"*

Yes	12%	
No	83	[CBS 2/21/94]

- **ClintonCare vs Current System:** *"Is Clinton plan better or worse than present system?"*

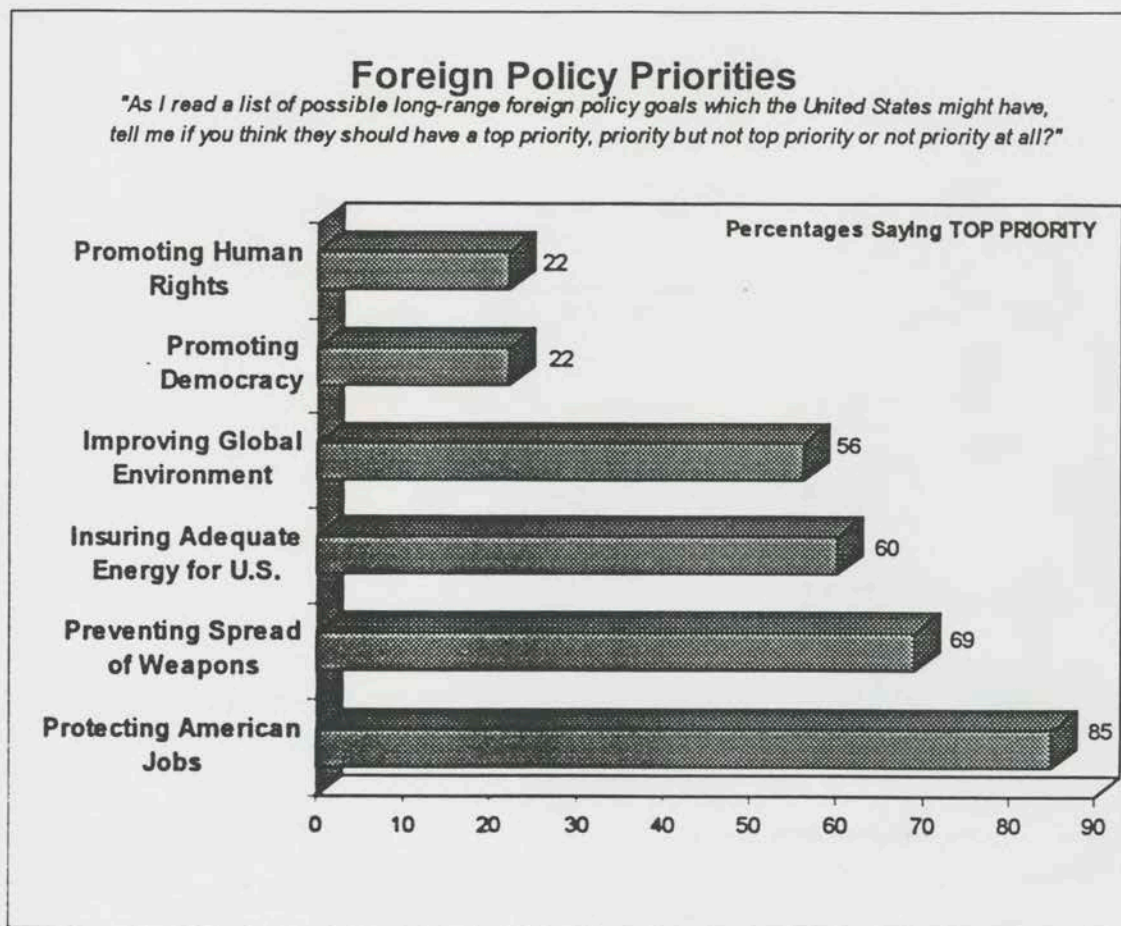
Better	52%	
Worse	34	[ABC/Wash Post 2/27/94]

- **Fairness of ClintonCare:** *"Clinton health plan is..."*

Fair to people like me	44%	
Not fair	40	[CBS/NYT 3/11/94]

Foreign Policy

"Realpolitic" guides national security focus on economic and defense goals, with surprising support for the global environment, but little emphasis on noble human rights and democratic ventures. Views are mixed on the U.S. role in Bosnia.



- **U.S. Responsibility in Bosnia:** *"Does the U.S. have a responsibility to do something about the fighting between Serbs and Bosnians?"*

Yes, U.S. has a responsibility	36%
No, U.S. has no responsibility	53

[CBS 2/21/94]

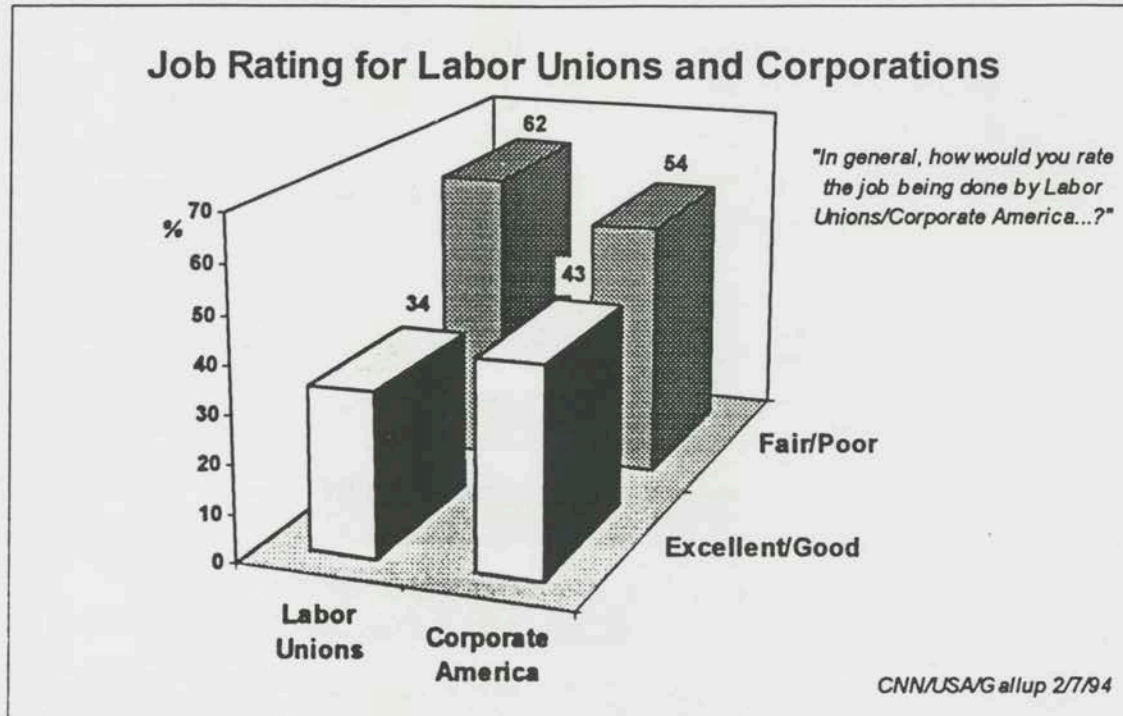
- **U.S. Troops to Bosnia:** *"Do you favor or oppose the United States military taking part in an international effort to enforce a peace agreement in Bosnia, including sending American troops as part of a United Nations peacekeeping force on the ground?"*

Favor sending U.S. forces	53%
Oppose sending U.S. forces	40

[Teeter/Hart 3/8/94]

Labor Unions

Unions labor under a cloud, as they are seen by many as actually hurting both the country and working Americans. "Corporate America" is viewed more favorably.



- **Impact of Unions on Working Americans:** "Do you think that labor unions are helping or hurting the cause of working Americans?"

Helping working Americans	34%	
Hurting working Americans	48	[Hart-Teeter 12/14/93]

- **Impact of Unions on the Country:** "Do you think that labor unions are helping or hurting the country as a whole?"

Helping the country as a whole	34%	
Hurting the country as a whole	47	[Hart-Teeter 12/14/93]

Sun, April 10
11:00 am
Hay - Adams



AMERICA³

Foundation

America's Cup 1992

William Ingraham Koch
Winning Skipper, 1992 America's Cup
Chairman of the Board

Those who know Bill Koch understand that his passion to become sailing's best was simply an extension of his lifelong quest for excellence and a competitive spirit nurtured on the Kansas prairie.

In May, 1992, Koch climaxed a tenacious campaign to keep the America's Cup, the oldest trophy in sport and the grandest prize in yachting, on the American shore by defeating Italy's Il Moro, 4-1 in a best-of-seven match series.

Since capturing the Cup, Koch has received many significant honors, including:

- Ellis Island Congressional Medal of Honor;
- New York Yacht Club's Medal of Honor;
- Yachtsman of the Year by Yachting Magazine;
- Yachtsman of the Year by the San Diego Yachting Association;
- Nautical Person of the Year by the Italian publishing group,
Media Sea Communications;
- Herreshoff America's Cup Hall of Fame, Bristol, R.I., and
- Culver Military Academy's 1992 Man of the Year.

In his native Kansas, Koch was awarded:

- Kansan of the Year by The Topeka Capital-Journal and,
- Honorary Doctor of Arts degree from Washburn University, Topeka.

Though accomplished in numerous pursuits, including twice winning the world maxi boat championships, Koch was propelled into the national limelight because of his successful defense of the 1992 America's Cup. This scholar, businessman and philanthropist has managed to meld Midwestern roots, a high-tech background and his pronounced love for the sea. Sports Illustrated writer John Garrity has called him "the most intriguing figure in yacht racing since Ted Turner won the America's Cup in 1977."

- more -

William Ingraham Koch
Page Two

It was no small matter bringing together a winning organization. He started two years behind the Italians, the Japanese and the New Zealanders, but in October 1990, the program became an instant enterprise with the announcement that Koch would seek the right to defend the America's Cup. Within a short time, his America3 Foundation took on the proportions of a small corporation, with 150 employees, 100 other volunteers, sailors, coaches, office workers, janitors, security guards, marketing specialists, scientists, computer whizzes and more.

At the very least, Bill Koch raised America's Cup competition to a new level -- one that was science-driven, steeped in tank and wind-tunnel tests, computer models and material innovations. "Boat speed is a science, not an art," he said. And applying his science background to sailing, he developed several breakthroughs in sail technology. One of the most significant was a lightweight sailcloth made of carbon fiber, liquid crystals, and a high density polymer.

"The America's Cup is a battle of management and organization first, then technology, and finally a boat race," Koch affirmed. In the end, his ability to manage the various components left the competition high and dry.

Born in 1940, the Wichita native was raised in one of this nation's most colorful and successful families. Like his father and two of his brothers, Bill Koch studied at the Massachusetts Institute of Technology, earning three degrees in chemical engineering, a B.S., M.S., and a Sc.D.. At M.I.T., Koch received the Hunneman Prize for Outstanding Originality in Chemical Engineering, and he was elected to Tau Beta Phi (academic honor society) and Sigma Xi (research honor society.) While compiling a distinguished academic record there, he also competed on the school's varsity basketball and track teams.

From 1968 to 1980, Koch helped found and served as president of several firms, including Koch Venture Capital, which financed high-technology startup companies, and Koch Carbon, Inc., the world's largest trader in petroleum coke. He also served as president of Koch International Chemical Company, a division of Koch Industries trading in natural gas and industrial and specialty chemicals. Then during 1979 and 1980, he was vice president of development at Koch Industries, one of the largest privately-held oil companies in the United States.

- more -

William Ingraham Koch
Page Three

In 1981, he left the company his father founded and established his own petroleum company, along with a foundation that conducts medical research aimed at preventing coronary heart disease. In 1983, he founded the Oxbow Group of companies, which owns and operates five electricity generating plants using alternative fuels, markets in excess of 4 million tons per year of coal and petroleum coke, produces composite pipe, and makes real estate investments. The Oxbow Group is listed by Forbes magazine as the 125th largest privately held company in America.

Koch is also chairman of and the largest shareholder in Kendall Square Research Corp., a Waltham, Massachusetts-based company that makes massively parallel supercomputers, which use multiple processors to vastly increase computing power and speed.

His business and professional responsibilities include serving as a trustee and member of the executive committee of the University Hospital in Boston. He formerly served as trustee of the Boston Museum of Fine Arts, and as a member of the corporation of Boston's Massachusetts General Hospital. He has served in the same capacity with McLeans Hospital in Belmont, Massachusetts. Koch was a director of the Fred C. Koch Foundation and a trustee of Castle Hill Foundation. He holds membership in the American Institute of Chemical Engineers and the American Chemical Society.

Along with his intensely creative approach to business, Bill Koch has developed a high appreciation for art. He has assembled a breathtaking collection of sculpture and paintings by the masters that places him among the top collectors in the world.

But, though he is proud owner of a host of artworks by Monet, Renoir, Picasso, Remington, Russell, Botero and many other masters, Koch recently clutched a framed photograph of his 7-year-old son, Wyatt, and declared: "Here's the best work of all!"

What lies in the future for Bill Koch? "I don't know why," he said in a Sports Illustrated interview, "but I like taking on challenges that people think can't be met and then meeting them. And meeting them in a way that is totally reasonable and totally logical but totally different than everybody else does it."

FACES BEHIND THE FIGURES

EDITED BY JOHN R. HAYES

The defending champion

HOW DO YOU TOP a \$69 million effort to win a sailboat race? Not easily. "I have nothing to gain and all to lose," admits William Koch, winner of the 1992 America's Cup.

Koch, 53, has plenty of other interests to keep him busy. He is a centimillionaire with a Ph.D. in chemical engineering from the Massachusetts Institute of Technology. He owns a bunch of natural resource and energy companies—known as the Oxbow Group—that he bought with part of the \$600 million his brothers paid him to settle a nasty lawsuit involving control of Koch Industries. He is chairman of Kendall Square Research, a young and so far successful computer maker he helped found with drinking buddy and computer designer Henry Burkhardt.

But he's got \$69 million in sailboat research to amortize. "That's an obscene amount of money," says Koch. "It's absurd, stupid. If I knew what it would cost and it was guaranteed I would win, would I have done it? No.

"On the other hand, I'm glad that I did."

So what's Koch going to do now? A charming upstart nose tweaker who won in 1992 by breaking all of the yachting world's staid rules, Koch is looking to do something unheard of. "I like the challenge of doing things completely different than the way others do," he says. "Especially doing things in ways others don't think are



Steve G. Hertz/SABA

William Koch,
winner of the 1992
America's Cup
**\$69 million in
sailboat research
to amortize.**

worth a damn."

The option he's most enthusiastic about: "I'd like to put together an all-women team to compete for the America's Cup," he says, delighted that one of the last great male bastions is guided by superstitions of how a woman brings bad luck to a yacht.

Koch says he'll firm up his plans in the next few weeks. One thing is for certain: "I am personally not going to race again," he says, admitting that might not be the best decision for the Oxbow Group. Left to the care of three trusted managers during the long preparations for the 1992 race, profits at Oxbow grew in proportion to how many months Koch spent on the water.



Photo by Monty Davis

Bill Koch, left, skipper of the winning America3 team in the America's Cup competition, shares a laugh with Rotary Club President Jon Flora Monday at the Holiday Inn-Holidome, 1400 North Lorraine.

Sailing away with the America's Cup

By Sara Peterson-Davis
The Hutchinson News

When he approached the race for the America's Cup, Bill Koch looked more to his business experience than his training as a sailor.

"We didn't view it as a sporting event," said the skipper of last year's winning America3 team. "We viewed it as a management challenge. It was a race of American technology, teamwork and management against the world."

Koch outlined his America's Cup strategy Monday to a group of nearly 200 Hutchinson Rotarians and their guests at a luncheon meeting at the Hutchinson Holidome.

What he and his team were able to achieve, Koch said, can be an example of what America's entrepreneurs can do if they try.

"We proved that Americans with the right teamwork and the right attitude can do anything," Koch said.

To win the America's Cup, Koch explained that every skipper needs two things, "The fastest boat in the world and a crew that doesn't make any mistakes."

Although ship designers create sailboats that are beautiful, Koch said, they are rarely as fast as they could be. A self-

'We proved that Americans with the right teamwork and the right attitude can do anything.'

— Bill Koch, skipper of America3 team

described "techno nerd," Koch said, he and his team mustered all their experience and the latest technology to design the swiftest boat possible.

"We designed boats for the race, not for looks," he said.

After evaluating 120 hull designs, America3 officials built six models to test in the open water.

"We got a tremendous compliment from Dennis Connor who said even his grandmother could win in this boat," said Koch, about the skipper of the Stars and Stripes and winner of the 1988 America's Cup.

In preparing for the race, the team also created its own meteorology department, a system to cut kelp from the keel, as well as a team of spies, which are legal in sailing circles.

Koch showed the audience video highlights from last year's race so that they could see for themselves "that sailing is not a sissy sport."

When assembling a crew for the race, Koch did something that the experts claimed was a big mistake. He signed on all amateur sailors.

Koch chose the sailing team based on their ability, attitude and willingness to work as a team. Many highly qualified applicants were turned down because they didn't work well on a team.

"In something like this you have to be focused," he said.

Along with being amateurs, the America3 team broke new ground in sailing by signing on a woman and two African-American members.

In preparation for the race, Koch and his crew spent nearly 300 days on the water practicing.

Every morning the crew met at 6:30 a.m. After a team meeting, the crew exercised, ate breakfast, prepared the boat, sailed for several hours and then gathered again to review video tapes of the day's sailing.

The review of the day was presented without any direct criticism of any one team member, Koch said.

"There were no stars on board," he said. "One person can't win a race but one person can lose a race."

America's Cup: Is it headed abroad?

By MARTY KLINKENBERG
Knight-Ridder Newspapers

The Australians, New Zealanders and French tried to buy Bill Koch. They offered millions for the blueprints and boats he employed to capture America's Cup one year ago Sunday.

The America3 skipper and syndicate boss, who poured \$65 million into his successful 1992 effort, turned them down.

"Nobody had the money to pay what the assets were worth," Koch said last week. "What we put into it is way beyond anybody's price range."

Rebuffed by the boss, yachting groups from around the globe began courting Koch's underlings. Now, a number of his key players are toiling for teams that hope to anchor the Cup on foreign soil.

"The challengers have the upper hand right now," Koch said. "They have more money, some of the best talent from the U.S. and the fire in their bellies to win."

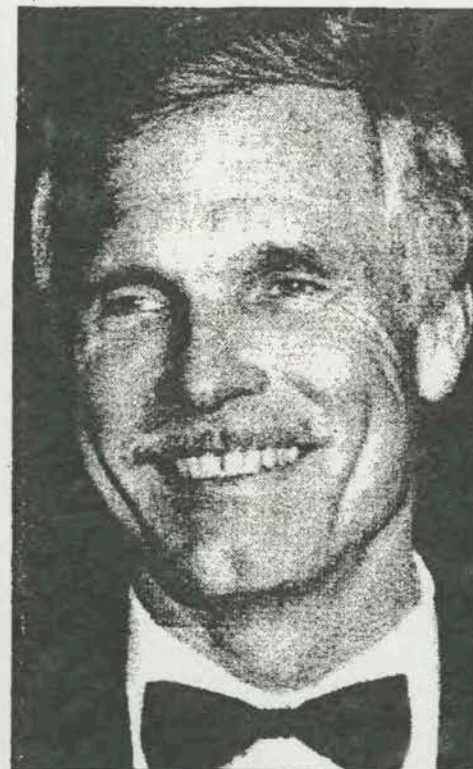
"If I was going to bet — and I'm not a betting man — I would bet that America will lose the next America's Cup."

Fourteen syndicates from nine countries have entered the 1995 challenger race. At this point, only groups led by Dennis Conner and newcomer Kevin Mahaney are vying to be the U.S. defender.

"Dennis is the old fox, but we showed in the last Cup that he can't win if he can't raise any money," Koch said. "And while Kevin Mahaney is a bright young man and an excellent sailor, he doesn't have the organizational or technical expertise or credibility in the marketplace to raise the money necessary to win."

Koch possesses those attributes, but has not decided whether he will compete again. He left the door open recently by securing the services of America3 design director Jerome Milgram and executive vice president Vincent Moeyersoms for the next two years.

"When the foreigners started getting close to Vincent and Jerry, I decided to



File photos

Dennis Connor (left) and Ted Turner have both won the America's Cup, but it might not be an American who is victorious next time.

lock them up to keep the heart of America's technology intact and our design program under wraps," Koch said. "It gives me the option of doing the America's Cup again, helping another U.S. syndicate, setting up another syndicate in which I'm not so involved or even doing nothing if I choose."

The time and expense of the last America's Cup was so great that Koch is reluctant to enter.

"Doing the Cup again is not the most likely alternative," said Koch, who maintains residences in Palm Beach, Fla., and Oster-

the Cup myself the way I did the last time is low on my list because of the time it would take away from my son and other personal activities."

Koch, a business baron and philanthropist born in Kansas, donated an America's Cup yacht and \$1 million recently to the city of Wichita to help renovate a public boathouse and set up a sailing program for disadvantaged youths. Not long before that, he gave a couple of million dollars to the United States Olympic Committee and agreed to furnish coaches and technology for the U.S. Sailing Team.

the America's Cup," he said. "I'm not making money off of it."

Koch may get drawn into the competition again because he is so disillusioned with it. He blames a lack of interest in the regatta in the United States on archaic rules that he says limit participation and stymie corporate and fan support.

U.S. skippers Paul Cayard and Rod Davis recently committed themselves for a second time to foreign efforts, and yacht designers John Reichel and Jim Pugh pledged their services to one of two Australian challenges. Reichel and Pugh were members of Koch's design team in 1992. Doug Peterson, another former America3 designer, joined a New Zealand team, and former America3 tactician Bob Campbell jumped to Japan.

Koch believes such defections would not occur if there were more syndicates and job opportunities for professional sailors in the United States.

"I don't hold any grudges against the members of my team or other U.S. sailors who are competing for other countries. I understand they have to make a living and support their families," Koch says.

"But I do think what's happening is a reflection of problems caused by the way the regatta is run. It is the result of there being not enough defender groups in the U.S. and money to keep the Cup here."

Koch says current America's Cup yachts are so expensive that they restrict participation to only the exceedingly wealthy. He also says that having the regatta automatically hosted by the winning yacht club limits its participation to syndicates only from that region.

A competition held at rotating venues — which is what Koch supports — would stimulate regional interest that doesn't exist now.

As it is now, foreigners are stealing U.S. sailors.

Bill Koch can't be Page 51 of 63

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LOS ANGELES TIMES
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DAILY NEWSPAPER
JUNE 11, 1993

Bacon's

2030
SAILING / RICH ROBERTS

Koch Is Trying to Stem Flow of Technology

Old pals Paul Cayard, formerly of San Francisco, and Rod Davis, who grew up in Coronado, will be sailing their second America's Cups for foreign entries in 1995.

Jim Reichel and Jim Pugh, the San Diegans who helped design Bill Koch's America³ winner in '92, will in Australia's Iain Murray as principal designers for the boat Davis will sail for Australia, and other members of Koch's team will work for New Zealand and Australia.

Enough, says Koch, whose boat turned back Cayard's Il Moro di Venezia in defending the Cup a year ago. He has had it with Americans defecting abroad to help somebody take the Cup away from the United States. He didn't spend \$67 million to let that happen.

Koch has refused foreign offers for the technology for America³ or the boat itself, which is stored in a warehouse in Reno.

"When I said no to them, they tried to hire my people," Koch said from Wichita, Kan. He stopped that by re-signing the two leaders of his '92 braintrust, Vince Moeyersoms and Jerry Milgram, to development projects to keep them from going to France. Dennis Conner also inquired, but Koch turned him down, too.

"I did tie up the essence of our technology and our next generation of designs," Koch said. "I don't want any foreigner to get it, and if I decide to do it myself again, I want to have it. If I decide to help another syndicate, I want to have it available."

The problem is that there are precious few opportunities for Americans to participate in an America's Cup for America. There were only two defense candidates in '92—Koch and Conner—and there are only two for '95—Conner and the Kevin Mahaney-John Marshall PACT 95 team.

Koch proposed to make the event more attractive to other U.S. cities by allowing them to buy the venue rights from San Diego for \$2 million if a boat from their city were to win. Koch's market studies have indicated that would boost national interest and sponsorship tremendously and thus strengthen the defense.

But the San Diego Yacht Club has a stranglehold on the event, which continues to gasp for support.

San Diego's attitude, Koch says, "is drastically hurting the Cup."

Unfortunately, when he laid his proposals before the club membership a few weeks ago, he also spent a few minutes complaining—again—about how he had been treated as an interloper on Conner's turf.

"I wasn't very tactful," Koch said. "I'm too blunt. I should never be a politician."

But Koch said in the year since his triumph he and Conner have "become very friendly. We were very respectful a year ago. Now it's an affection."

Koch said that when he had Conner to dinner in Florida recently, he pulled a wine cabinet down on his head—shades of the day he got conked on America³.

"I woke up in the hospital at 3 a.m.," Koch said.

□

Without Koch's help, Conner hopes to balance America's sailing brain drain a bit. He has re-signed designer Dave Pedrick to work on his next America's Cup boat and is talking to New Zealand native Bruce Farr. Farr already has designed Conner's Whitbread Round-the-World boat, which was launched in Venice last month and is en route to New York.

Farr, of Annapolis, Md., has designed New Zealand's last three America's Cup boats, including the innovative fiberglass KZ-7 in '86-87 that Conner implied was cheating and the '88 monster that Conner dispatched with a mere catamaran.

BOATING

Koch's victory turns into boon for Shake-A-Leg

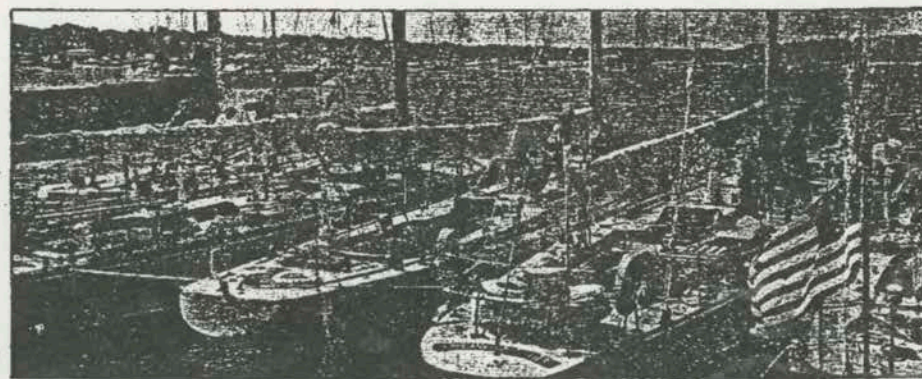
By DAVE PHILIPS

Journal-Bulletin Sports Writer

NEWPORT — Bill Koch was the winning skipper in Shake-A-Leg's abbreviated Wall Street Challenge Cup regatta, but the president of the America Cubed Foundation gave more than he got over the weekend.

After Gary Hoyt of the American Sail Advancement Program (ASAP) had announced Saturday night that his organization was contributing \$74,000 to Shake-A-Leg for its Outreach program, Koch announced he would contribute \$10,000 toward a new Freedom 20 adaptive sailboat if ASAP would match it, and then another \$10,000 for a second boat if Shake-A-Leg would match that.

Assuming the money is raised — and Shake-A-Leg's founder, Harry Horgan, promised it would be — Shake-A-Leg will have two Freedom 20s to start a sailing program at the Mission Bay Aquatic Center, just north of San Diego, the scene of a regatta for handicapped sailors in which Horgan and Robie Pierce of Newport both participated.



Journal-Bulletin/MICHAEL J.B. KELLY

WAITING TO BOARD sailboats, right, in the Shake-A-Leg program were, from left, Joe Guay of East Providence, Steve Anderson of Portsmouth, Speed Davis of Boston.

Shake-A-Leg already has sailing programs running at Fort Adams State Park in Newport and Miami, and runs a host of other activities for physically challenged persons.

"Our mission is to reach out and serve as many people as we can," said Horgan yesterday, during the awards program at the Newport

Doubletree Hotel on Goat Island.

His organization was a big winner from the weekend, with four Wall Street firms and the America Cubed Foundation raising \$125,000 for Shake-A-Leg.

Racing yesterday was abandoned because of fog and a lack of wind, so the results of the four

races run by Dr. Robin Wallace of Sail Newport and Jack Irwin of the Ida Lewis Yacht Club became the final results.

Koch, who had Vincent Moeyersoms, Beau LeBlanc and John MacGowan from his America's Cup-winning America Cubed team, finished with the low score of 7.75.

The Chemical Bank Corp. team, with Andy MacGowan, a veteran of two America's Cup teams driving Weatherly, took second place with 11.5, and Bear Stearns, with Jerry Kirby, the bow man for America Cubed in San Diego, driving Heritage, took third. The Morgan Stanley team, with big-boat

skipper Jeffrey Salzman, driving Valiant, was fourth. The Prudential Securities, with Rolex Yachtsman of the Year Kevin Mahaney driving American Eagle, was fifth, and the State of Rhode Island Team, with America's Cup veteran Mike Toppa driving Northern Light, finished sixth.

Translation from the German original (by Heiner Meldner)

impulse

"THE ENTREPRENEURIAL SUCCESS MAGAZINE"
(6/93, p. 176, People:)

William I. Koch

Master Sailor, Heir to a Billion and Tough Performer

Winning the America's Cup--the most coveted Sailing trophy ever--in May 1992 was American William I. Koch's sailing masterpiece. This heir to 500 million dollars is a member of the entrepreneurial elite with his business conglomerate covering power generation, oil, coal and industrial pipe manufacturing. A tough businessman who also appreciates the finer things in life.

As the fastest yacht crosses the finish line of the America's Cup races, the world's attention is assured for the heroes standing in the shade of 3,000 square feet of sail area on 100 ft. tall masts. For Americans the "Sea Battle at San Diego" (SPORTS) is more than a yacht race, it is a national event. An American has to win. The man that skippered the winning yacht with the obliging name America³ on May 16, 1992 caused the largest sports publication in the US, SPORTS ILLUSTRATED, to proclaim: "Koch is the real thing." After triumphing over the Italian challenger "Il Moro Di Venezia", William I. Koch confirmed to the FAZ (Frankfurter Allgemeine Zeitung): "It is exhilarating to be an American in a victory for American technology, American teamwork and American pride."

In fact, "Bill" Koch (pronounced "coke" just like the US national soft drink) is a textbook American: At home in the petro-business, supercomputers, industrial pipe manufacture as well as coal and gas production. Koch is the 4th largest power producer in the US. The magazine FORBES counts him among the 400 wealthiest US citizens.

For this man to win the America's Cup was no surprise to Bernard Cherry, close confidant of the boss and head of the energy department of Koch's corporation. Cherry: "Bill is a winner, and those are tough."

Meeting the 53 year old tycoon for the first time, one could doubt some of that--maybe there is exaggeration and the spectacular sailing success was somehow accidental. The 6 ft 4" man with the pale face typical of reddish-blond people, greets his visitor in a quiet and almost shy way. The eyes behind the tortoise shell glasses are those of an intellectual.

-2-

This man set up a brilliant organization for his entire corporation, delegating responsibilities skillfully to allow him to leave his office for a year and a half in order to focus on the America's Cup. One thing was clear: His participation had to mean victory. Koch: "Whatever I do, I want to do very well; I am willing to go to the limit." Participating for him also meant to sail the yacht--to skipper against the world's elite of professional skippers.

According to his account, Koch spent 20 million dollars of his own for this passion, another 50 million were obtained from sponsors. They believed in his managerial skills more than in his sailing. Facing international challengers which were financially at least his equal, he lined up a scientific effort, to laboratory produce, so to speak, the winning ship. After the victory (the European newsmagazine) DER SPIEGEL summed it all up: "The Eggheads Triumphed."

He has all the features of a self-made man, yet he is not. Bill Koch inherited wealth from father Fred, founder of an oil dynasty now called KOCH INDUSTRIES headquartered in Wichita, Kansas. This million dollar man doesn't like to be an armchair investor..."that would be so boring." He needs action. To be an entrepreneur, to accept challenges and to win in competition--that for Koch is what dreams are made of--and he has the power to pursue it.

After a brief stint in the family's oil conglomerate and a less than peaceful separation, he began to forge his own business empire. In about ten years he put together OXBOW CORPORATION, a diversified enterprise with branches covering power generation, coal and gas, industrial pipe manufacturing and real estate. This son of a wealthy family also succeeded in an academic carrier. His university education culminated in a Ph.D. of chemical engineering from the world-renowned MIT.

Business is a success: OXBOW grosses more than 500 million dollars annually (with only 500 employees). FORBES estimates one billion. Exact numbers and profit? "Sorry", the OXBOW owner laughs, "those are secret." His advantage, the company is privately held.

OXBOW's headquarters are in West Palm Beach, Florida. Bill Koch resides on the 14th floor of the Centurion on Forum Place. The only really noticeable luxury of his office is the spectacular view over the water that extends from the North Coastal Channel lined with palm trees all the way to where near the horizon it merges with the Atlantic. During the preparation time for the races the boss was kept informed through monthly reports by energy manager Cherry, business manager Hans Fleskes (a German who left Otto Wolff America in 1987 as a fifty year old to join OXBOW) in addition to controller Zachary Shipley. Top priority was the sailing victory. This is what Koch calls "to focus the attention and the effort."

Besides all that, this entrepreneur is a philanthropist and Koch also appreciates other things in life like choice wines which he collected until recently with great dedication. He has about 25,000 bottles in his wine cellar in Cape Cod, Massachusetts. The oldest is a 1737 Chateau Lafite Rothschild. He is done with wine collecting now. "I can't drink all that anyway." His son Wyatt--the six year old is his only child--is supposed to enjoy it at some time.

-3-

Art collecting, on the other hand, continues. Works of Cezanne, Picasso and Renoir adorn his homes in Massachusetts and Florida. His collection ranks among the world's top 200. This corporate leader, however, refuses to look at art as an investment: "A picture or a statue has to appeal to my feelings." Art as an emotional balance to his analytic side. Koch buys the work of the Italian Amedeo Modigliani "La Reveuse" because this picture of a woman resting, perhaps dreaming, reminded him of his wife Joan. Or "Workday on a Ranch" of the American Grant Wood: "Just like our ranch in Kansas." This midwesterner likes the country: "I love cattle drives and cowboys." He inherited this preference just like his technical intellect from his father who also was an MIT engineer. And just like him he wants to eventually retire to a ranch in the mountains of New Mexico or Arizona. But that's a long time away.

Right now, Koch likes action. He is fully focused on business. His entrepreneurial goal? "Make money." Period. Americans get to that bottom line immediately. Koch's input to OXBOW's management is clear: Current return on investment is about 20 percent after taxes. Koch wants more. He is targeting a good 25 percent--after taxes. In the area of power production companies with 20 percent ROI are absolute tops. A man with ambition. And courage for innovation: "One has to manage one's mistakes intelligently to acquire the confidence to try new things."

Koch entered the power business in 1984. The OXBOW Power Corporation currently operates five power plants, number six will be on line later this summer. Total is 400 Megawatts from alternate energy sources such as geothermal steam and gas.

This technology buff is especially proud of his hi-tech involvement in Kendall Square Research in Waltham near Boston; he owns 40 percent and holds the position of chairman. This is not surprising given the fact that Kendall Square is among the top contenders in the world of R&D and manufacture of superfast giant parallel computers.

Another area where Bill Koch needs to prove his management skills is the fight about ownership of assets and inheritances with his two brothers. He believes that his twin brother David and his brother Charles, who is four years older, have cheated him out of a billion dollars. "And when I get cheated, I fight for my rights. To the end." That is, as a matter of principle, at any price. "Dallas" in Kansas. Understandable, however, if Bill is right. The billion in question results from assets that were either undervalued by Charles and David or not included during the negotiations on severance and inheritance. The courts are to decide now.

Part 1 of the "blood feud" (WALL STREET JOURNAL) about power and money took place in the early 1980's when Bill left KOCH INDUSTRIES. After senior Fred passed away in 1967, all three brothers, all MIT engineers, managed the company together with probably similar ambitions and confidence. Then came disagreements on dividends, use of funds and general management. Charles who became number one on board after the death of the father and who, according to FORBES is a "workaholic", fired Bill during this contentious time. The preliminary settlement was: Bill stays out, gets just about 500 million and forms OXBOW.

-4-

Since then Charles and David had complete control of KOCH INDUSTRIES. This giant corporation now grosses over 19 billion--from businesses like oil fields, pipelines, refineries, chemicals and cattle. Bill does not regret leaving this "cash cow". "Given the dominant leadership first by my father and then by Charles, I just couldn't grow and develop my own ideas there." He admires him nonetheless. "Charles is a brilliant businessman."

Adding to that: "Yet with the personality of a dictator." This is a reason for Bill's pronounced dislike of superstars. "They put their ego and personal success above all." Therefore: Whoever wants to succeed with him has to be a team player first. "And with the America's Cup we proved how rather average people can compete successfully against the world's elite if the team works well together."

The former college basketball player views himself very much as member of the team--with a small difference: He has the swing vote.

STATEMENT BY SENATOR BOB DOLE
FINAL PASSAGE FY95 BUDGET RESOLUTION
March 25, 1994

MR. PRESIDENT, THE SENATE DEMOCRATS' BUDGET PLAN FAILS TO MAKE THE TOUGH DECISIONS TO REDUCE THE DEFICIT, AND IT LACKS FUNDING FOR THE PRESIDENT'S BIGGEST NEW SPENDING INITIATIVES.

SENATOR DOMENICI AND THE REPUBLICANS ON THE SENATE BUDGET COMMITTEE DESERVE A LOT OF CREDIT. WITH THEIR LEADERSHIP, REPUBLICANS WERE ABLE TO OFFER AN ALTERNATIVE WHICH WOULD CUT THE DEFICIT BY MORE THAN \$300 BILLION OVER THE NEXT 5 YEARS, CUT PRESIDENT CLINTON'S 1999 DEFICIT IN HALF, AND DO THIS WITHOUT RAISING TAXES AND WITHOUT CUTTING SOCIAL SECURITY. THE REPUBLICAN PLAN OFFERED A BALANCED APPROACH TO DEFICIT REDUCTION -- 60 PERCENT OF OUR SPENDING CUTS CAME FROM FEDERAL ENTITLEMENT PROGRAMS, 40 PERCENT FROM NON-DEFENSE APPROPRIATED ACCOUNTS.

OUR PLAN WAS RESPONSIBLE. IT SET NEW PRIORITIES AND SAID WE ARE WILLING TO PAY FOR THESE NEW INITIATIVES WITH SPENDING CUTS.

THE PRESIDENT AND THE SENATE DEMOCRATS WANT TAXPAYERS TO INVEST IN THE FUTURE BY BOOSTING BIG GOVERNMENT. REPUBLICANS WANT TO INVEST IN THE FUTURE BY PROVIDING TAX RELIEF TO WORKING FAMILIES AND CHILDREN. WE WANT TO UNLEASH NEW INVESTMENTS AND HELP PROTECT THE VALUE OF HOMES, SMALL BUSINESSES, FAMILY FARMS, INVESTMENTS AND OTHER ASSETS FROM THE CORROSIVE EFFECTS OF INFLATION BY INDEXING CAPITAL GAINS.

WE WANT TO MAINTAIN A STRONG NATIONAL DEFENSE. THE ADMINISTRATION'S OWN DEFENSE EXPERTS CALCULATE A SHORTFALL OF AT LEAST \$20 BILLION IN THE CLINTON DEFENSE PLAN. AND WHILE THE PRESIDENT SAYS THAT HE WILL MAKE NO FURTHER CUTS IN DEFENSE, HIS

BUDGET PLAN FORCES OUR MILITARY TO EAT THAT \$20 BILLION SHORTFALL. THIS HIDDEN CUT COMES ON TOP OF THE \$127 BILLION CUT THE PRESIDENT HAS ALREADY APPLIED. DURING THIS DEBATE, REPUBLICANS OFFERED THE ONLY BUDGET PLAN THAT PROVIDES WHAT THE PRESIDENT'S OWN DEFENSE EXPERTS SAY THEY NEED.

THE REPUBLICAN ALTERNATIVE BACKED UP OUR TOUGH TALK ABOUT CRIME-FIGHTING WITH \$22 BILLION IN FUNDING OVER 5 YEARS FOR THE VIOLENT CRIME TRUST FUND. THIS MONEY WILL HIRE MORE COPS, MAKE OUR SCHOOLS SAFER, PUT AWAY VIOLENT CRIMINALS, AND SLAM SHUT THE REVOLVING PRISON DOOR.

THE AMERICAN PEOPLE HAVE ASKED ALL OF US TO MAKE THE TOUGH DECISIONS NEEDED TO GET THE DEFICIT UNDER CONTROL. REPUBLICANS OFFERED A PLAN WHICH PROVES THAT WE ARE WILLING TO CUT SPENDING FIRST TO REDUCE THE DEFICIT, AND WE ARE WILLING TO PROVIDE FUNDING FOR OUR PRIORITIES LIKE TAX RELIEF FOR WORKING FAMILIES, A STRONG DEFENSE AND A TOUGH CRIME-FIGHTING PACKAGE.

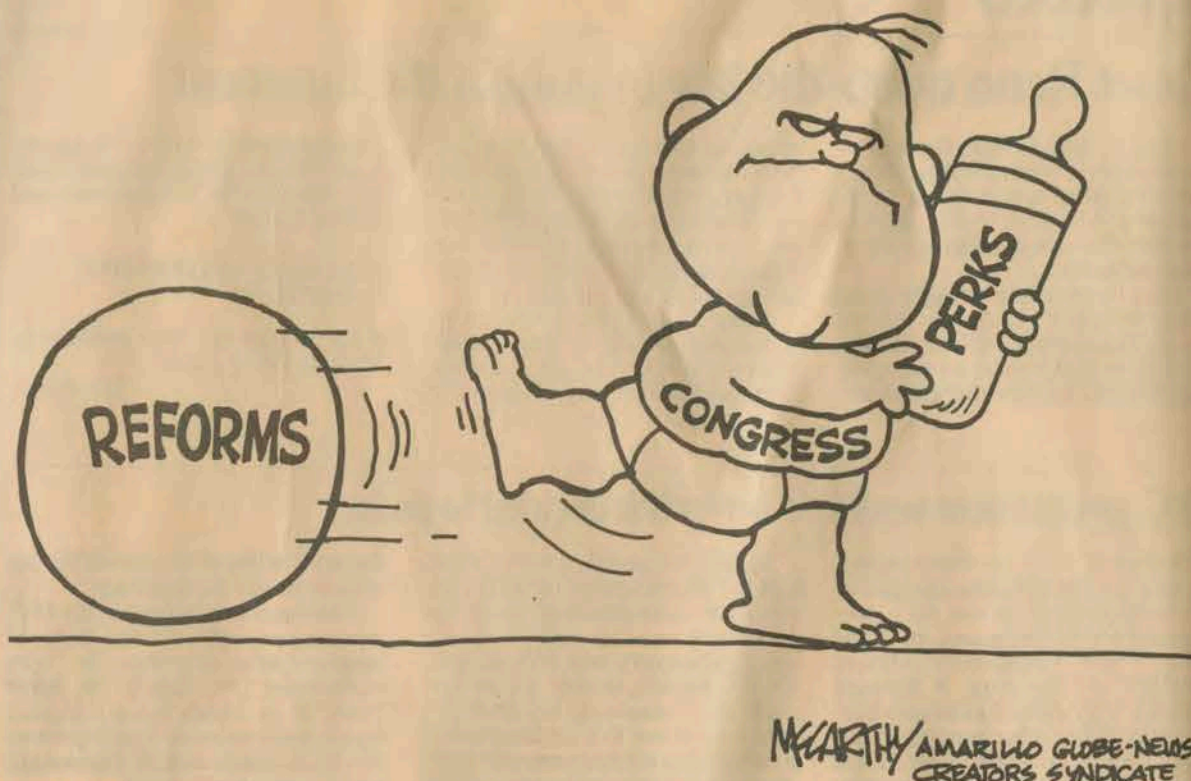
THE SENATE DEMOCRATS' PLAN IS AN IMPROVEMENT OVER THE PRESIDENT'S BUDGET. THE BIPARTISAN EXON-GRASSLEY AMENDMENT CUTS FEDERAL SPENDING BY AN ADDITIONAL \$26 BILLION OVER 5 YEARS AND LOCKS IN THOSE SAVINGS FOR DEFICIT REDUCTION.

BUT, REPUBLICANS ARE NOT SATISFIED WITH \$200 BILLION DEFICITS AS FAR AS THE EYE CAN SEE. WE KNOW THAT WE CAN DO BETTER. WE PROVED IT BY OFFERING A PLAN TO CUT THE DEFICIT TO \$99 BILLION BY 1999.

I URGE MY COLLEAGUES TO VOTE AGAINST FINAL PASSAGE OF THE SENATE DEMOCRATS' PLAN.

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JOSEPH PERKINS



With all the sound and fury emanating from Capitol Hill over the crime bill and health care reform, little notice has been given to another piece of legislation that is at least as important.

That is: a bill that would require members of Congress to abide by the same laws that they expect the rest of us to follow.

The measure, formally titled the Congressional Accountability Act, passed the House before the Labor Day recess by an overwhelming 427 to 4 margin. The remaining question is whether the Senate will approve the bill before it adjourns for the year.

Senate opponents of the measure may try to thwart its passage by claiming that the Upper Chamber doesn't have time to deal with it, what with continuing debate on health care.

But that's a subterfuge. The reality is that some members of Congress — particularly senior members — simply believe they should not be held to the same laws as hoi polloi.

Congress began the practice of exempting itself from the nation's laws back in 1935, when members decided that maybe they ought not be covered by the National Labor Relations Act.

The NLRA would have given congressional employees the right to create and join unions, to collectively bargain and to engage in other "concerted activities."

In the ensuing six decades, the number of laws from which Congress has exempted itself, either wholly or partially, has grown expo-

Putting Congress to the test of laws

workers who put in more than 40 hours.

- Title VII of the Civil Rights Act (as amended by the Civil Rights Act, 1991), which outlaws workplace discrimination on the basis of race, color, religion, sex or national origin.

- The Age Discrimination in Employment Act, which prohibits discrimination in the employment, discharge, promotion or treatment of persons age 40 or older. A 1986 amendment banned mandatory retirement.

- The Occupational Safety and Health Act, which assures safe and healthy working conditions.

- The Rehabilitation Act, which establishes civil rights protection for persons with disabilities.

- The Federal Labor-Management Relations Statute, which protects the right of federal employees to form, join or assist any labor organization, or, if they choose otherwise, to refrain from such activity.

- The Family and Medical Leave Act, which requires that employers grant eligible workers up to three months leave for a new child or a family health problem.

Until very recently, when lawmakers became sensitive to increasing criticism that they operated as caretakers of America's "last plantation," they saw nothing particularly hypocritical about their exemptions from assorted labor, health and safety, and civil rights laws.

Indeed, they sanctimoniously defended themselves against accusations of operating above the law by claiming constitutional privilege. Somehow, they figured that they were exempt from certain laws by virtue of the Constitution's "speech or debate" clause and its "separation of powers" doctrine.

But these defenses ring hollow. It is clear that the Framers of the Constitution intended for Congress to conform to the laws of the land just like everyone else.

James Madison was explicit about this in Federalist No. 57. "Congress can make no law," he wrote, "which will not have its full operation on themselves and their friends, as well as on the great mass of society."

"This has always been deemed one of the strongest bonds by which human policy can connect the rulers and the people together."

By following the lower chamber's lead, and approving the Congressional Accountability Act, the Senate can go a long way toward restoring the bond about which Madison wrote.

By refusing to act on the legisla-

ALBERT BLAUSTEIN / BARRY FISHER

Mexico's rights momentum

Mexico is bowing to the winds of change — all in the right direction. All signs point to a spurt in economic development, principally based on the North American Free Trade Agreement. But NAFTA has also signaled a turn to a new open-door policy, a new national mood and a new momentum in democratization and human rights. It is an exciting time to be in Mexico.

Of course there are problems still to be solved. Mexico is not yet the democracy of her fellow signatories to NAFTA: the United States and Canada. But a new light is being shed on old and very complex problems. And those of us monitoring the human rights situation know that the best and the brightest have been drafted as problem-solvers.

Two of those draftees we know well. They are fellow lawyers and law professors — and human rights activists — with whom we have exchanged our books and our thoughts. Their appointment and assignments are the best proof that Mexico is serious about democracy and human rights.

Electoral reform has been high on the human rights agenda. For more than six decades Mexico has been ruled by the Institutional Revolutionary Party (PRI). And each election has been followed by accusations of a variety of voting frauds and "irregularities." Charged with the responsibility of planning and

ensuring the integrity of the presidential elections held on Aug. 21 was the ex-law professor and university rector Jorge Carpizo who, in 1990, established and was the first president of the National Commission on Human Rights.

The sincerity of President Carlos Salinas de Gortari's commitment to human rights was manifested by the appointment of Mr. Carpizo as attorney general. Later, he was designated to his present post as interior minister to organize the October elections.

One of Mr. Carpizo's faculty colleagues and co-authors, Jorgo Madrazo, followed him both as director of the prestigious Juridical Institute and as president of Mexico's National Commission on Human Rights. We met with him during our visit to Mexico in January, and he arranged transportation and guides for a first-hand exploration of the human rights situation in Chiapas.

No one doubts the validity of the grievances voiced by the peasants of Chiapas. They are indigenous people of Mayan heritage who have suffered injustices at the hands of the Spanish since the conquest of Mexico by Cortez in 1519. They suffer — as do most indigenous peoples — from poverty, persecution, oppression and discrimination, and all of the ills of religious prejudice. Human rights abuses abound.

The problems are complex and cannot be analyzed solely in terms

of land-owner and factory-owner exploitation.

But the Salinas government is doing something about it. There is clear recognition of the human rights violations which exist and a governmental commitment to take action. In response to the "revolt" of the indigenous peasants and laborers early this year, President Salinas established the Commission on Peace and Reconciliation in Chiapas. The first head of the commission was Mexico's honored foreign minister who began the necessary negotiations with appreciation and understanding. We do not comment further simply because we do not know him or his background.

However, we do know Mr. Madrazo and were excited to learn of his designation in June to head the Commission on Peace and Reconciliation in Chiapas. That appointment leaves no doubt of the government's sincerity in solving the Chiapas crisis and calls for our support of Mexico's new thinking and approach to human rights.

Albert P. Blaustein, emeritus professor of law at Rutgers University, is senior associate of van Kloberg and Associates in Washington. Barry Fisher, a practicing attorney in Los Angeles, is head of the American Bar Association Committee dealing with religious freedom.



create and join unions, to collectively bargain and to engage in other "concerted activities."

In the ensuing six decades, the number of laws from which Congress has exempted itself, either wholly or partially, has grown exponentially. The list includes the following laws (all of which are covered by the Congressional Accountability Act):

- The Fair Labor Standards Act, which prohibits employers from paying less than minimum wages and requires overtime pay for

- The Federal Labor-Management Relations Statute, which protects the right of federal employees to form, join or assist any labor organization, or, if they choose otherwise, to refrain from such activity.

- The Worker Adjustment and Retraining Notification Act, which requires employers to give 60 days notice of a plant closing.

- The Americans with Disabilities Act, which prohibits job discrimination against disabled individuals.

By following the lower chamber's lead, and approving the Congressional Accountability Act, the Senate can go a long way toward restoring the bond about which Madison wrote.

By refusing to act on the legislation this year, the Senate simply will confirm the suspicions of the American people that they are governed by an imperial Congress.

Joseph Perkins is a columnist for *The San Diego Union-Tribune*.

NEOMI RAO

Choking on the 'greenies' diet

When was the last time you hugged a tree? If you don't remember, you obviously haven't been on a college campus recently.

Since the first Earth Day in 1970, campus "greenies" have tried their best to raise eco-awareness. From carrying trash to eating it, environmentalists make their point in strange ways.

As a senior at Yale, I finally have resigned myself to sorting my newspapers, aluminum cans and plastic containers — not because the greenies have convinced me this will save the environment, but because recycling is university policy (not to mention Connecticut state law). In addition to sorting and recycling, I even accept environmental crusaders rummaging through my trash in search of "misplaced" recyclables, which are then used to rate my hall on an eco-scale of 1 through 10. But as compliant as I am, some environmental activities are just too much.

Late one night, I was in the student lounge at the Yale library sipping my Diet Coke and studying. Suddenly, 30 half-naked eco-warriors stormed in. They were covered with mud, camouflage paint, leaves and branches. They didn't "say" anything. Instead, they rushed around the tables imitating rain and tropical animals and birds. One "monkey" jumped on my table; a winged woman screeched in my ear. I sat there holding back my laughter, lest any of these unwashed animals come any closer.

I have found that many student environmentalists will raise awareness at incredible costs to their bodies and dignity. For example, when I was younger, my parents encouraged me to eat everything on my plate since children in Ethiopia were starving. My parents didn't mean it literally, of course. At Reed College, a small liberal arts school in Portland, Ore., students have taken this advice to the extreme. A prospective student visiting Reed told me about his experience eating

in the school's cafeteria. When he went to return his tray, a group of eco-scrungers grabbed his scraps and made it their dinner. These greenies had made the environmentally correct decision to eat only food that was headed for the garbage pail. Noble? Maybe. Distasteful? Definitely.

Other students want people to know just how much trash we, as a wasteful consumer society, produce daily. One weekend, hundreds of Yale students carried around all of their trash in transparent plastic bags. This included all food and



paper and excluded only bodily waste. At James Madison University, Harrisonburg, Va., students sat outside their student union at lunch time in huge piles of trash to protest solid waste disposal.

College administrators also want to get into the act. For example, Tufts University, near Boston, has begun an Environmental Literacy Institute (ELI), which encourages faculty of all disciplines to incorporate environmental themes into their courses. How courses like

"Calculus 101" or "Poets of 19th Century England" bear any direct relationship to environmentalism is a mystery. But rest assured, says Tufts Dean of Environmental Studies Anthony Cortese, all Tufts graduates will be "environmentally responsible people."

Some eco-friendly acts are case studies in good intentions missing the mark. At Brown University, members of the Brown Environmental Action Network (BEAN) persuaded the administration to produce and sell plastic mugs at university snack stands so students would use fewer paper cups. What the Beanies failed to realize is that producing plastic mugs consumes more resources, and has more environmentally damaging side effects, than producing paper cups. When presented with these facts, BEAN members were undaunted, and continued to defend the cups and their "benefit" to the environment.

These are just a few examples of eco-insanity on college campuses. But funny as they may be, environmental hysteria in the university has dangerous implications for the real world. After leaving college many student activists — eco-warriors among them — immediately gravitate to Washington, where they can pursue their ideas for forcing Americans to live up to their standards of environmental purity. The scary part is that, despite their college educations, they seem perfectly comfortable discarding scientific evidence and common sense in their crusade to "save" the Earth.

I too want clean air and water, and environmental harmony with all the furry woodland creatures. But unlike some campus environmentalists, I won't eat your trash.

Neomi M. Rao, a senior at Yale University, is the Lawrence Wade journalism fellow at the Heritage Foundation.



VICTOR ROSTOW

Thomas Jefferson, casting about for a foreign policy initiative to quiet conservative opposition to his failing domestic policies, was handed one on a silver platter by the great Bonaparte: the Louisiana Purchase. At one stroke, he doubled the size of America, increased the national debt by \$15 million, and provided one of the principal dynamos that propelled America for the next 150 years. It was the greatest achievement of his presidency. His namesake, W. Jefferson Clinton, will need to make his own magic, but a similar opportunity is out there waiting for him: Eastern Siberia.

America, once again, is tantalized by a sense of fatalism, a sense that we've reached our apex and are on the long slide into historical obscurity. Why can't we trade like the Japanese, build like the Germans, have universal health coverage like the Canadians, save humanity like the Swedes, defy history like the Chinese? Our media (once again) are replete with stories about our moral, economic, political and educational exhaustion.

The solution is neither original nor new: America needs (right up there with food and shelter) a new frontier. In fact, what we need is an economic foothold in the Asian Pacific: and we need a territorial stake in the denuclearization of North Korea, the nuclear faits accomplis in these locales). In short, there are myriad psychological, economic and foreign policy reasons why buying the east coast of Russia would be an excellent adventure. Others have proposed it, notably Walter Russel Mead in an excellent article (The Washington Post's Outlook section, Feb. 20) on saving Russia's democracy from collapse; but the rationale is wrong. "We should buy Eastern Siberia not to save Russia, but to save ourselves."

Why would the Russians sell? Well the first answer is that they may not. The nationalistic urge to retain and reclaim all territory now and forever held by Greater Russia may forestall this initiative. But the fact is Russia needs the money

Pacific frontier potential?

more than the prestige. The sale would accomplish what the last two U.S. administrations repeatedly have failed to do — subsidize the Russian democratic experiment with hard, unencumbered cash.

But more to the point from the Russian military's perspective, the East has been one long, continuous drain on the industrial economy

We could double the size of the United States. We would have room for all the tired and poor and wretched refuse of the world once again.

and defense requirements of the Russian Empire, the U.S.S.R. and now the Russian Republic. The East — like all colonies — eats billions in economic subsidies, infrastructure support and military defense that is wholly unrequited and unrecompensed.

Except for fish (from which they need not be cut off), oil (which they are wholly unable to exploit), and warning defense (which wasn't fully effective and could be moved) Russia has nothing to lose. They can duck the Japanese "Northern Islands" issue; they can avoid direct economic and military competition with China; they can abandon the unprofitable cities and the disastrous environmental problems (how many decommissioned submarine nuclear reactors are polluting the soil and waters of the

eastern shore?). If they wish to remain a bicoastal power, they can retain a Pacific Coast port and the rail right-of-way to it. This is a good deal for them.

For America it would be both a rejuvenating and a maturing adventure. Rejuvenating because we would break out of the confinement of our continent and once again have a frontier to conquer, new states to settle, new cultures to create and assimilate. Maturing because we would no longer be able to retreat into isolation from the world. They would be us.

Of course the cost would seem tremendous. (Walter Mead proposes a price of \$3 trillion, of which half would be spent for U.S. goods.) But we bought Alaska, which has paid for itself a thousandfold, in 1867 — only two years after the Civil War had raised the national debt to a then-unheard of \$3 billion. If we can mortgage our children's futures simply to pay debt service on the deficit, then surely an investment in our nation's future is worth it. We could double (again) the size of the United States. We would have room for all the tired and poor and wretched refuse of the world once again. We would control the North Pacific fisheries. We would control all the Bering Strait's oil. We would have the opportunity to use to our best advantage the vast natural resources and potential of Eastern Siberia. We would have a *droit de regard* over nuclear development in Asia. We would enter the Pacific Century as an Asian Pacific power. This is worth a significant investment.

If W. Jefferson Clinton wants a genuine opportunity to create a global economy, worldwide job generation, overseas markets for American goods, respect for the Nonproliferation Treaty, successful democratization of Russia, he has a vehicle. Let's make Russia an offer they can't refuse and reclaim the sense that we have something to give the world.

Victor Rostow is a former deputy assistant secretary of defense (acting) for conventional forces and arms control policy.

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Congressional Accountability Act?

Nothing concentrates the congressional mind like a forthcoming election, and so before going home with November looming on the horizon, the House of Representatives voted to — well — obey the law. By 427-4, the House passed legislation called the Congressional Accountability Act, which, *mirabile dictu*, makes the laws Congress has already passed apply to Congress itself.

For instance, under the Occupational Safety and Health Act, passed in Great Society days, private businesses and offices can be fined if their facilities don't comply with onerous, expensive, sometimes useless and occasionally ludicrous federal rules governing safety and health in the workplace. To comply with the law — by installing the legally required fixtures — costs businesses enormous amounts of money.

But the law has never applied to Congress. Nor has the Civil Rights Act of 1964, which forbids private employers from discriminating on the basis of race or disability. Nor have some eight other major laws. Indeed, until the last decade, congressional employees didn't even have to pay Social Security because Congress was exempt from the Social Security Act.

The passage of the Congressional Accountability Act thus promises to make congressmen obey the same laws they force other Americans to obey. Editorials here have often pointed to the hypocrisy of the current, contrary state of affairs — a sentiment that has also been a theme of editorials in the Wall Street Journal and commentary by Rush Limbaugh and other conservative talk radio hosts as well.

The hypocrisy charge has clearly been leveled frequently enough to sting — witness the House vote. There is no particular reason to think that the Senate is eager to take this matter up any time soon. Still, the ground seems to be shifting and momentum building. So as one of the proponents of the hypocrisy charge, The Times would now like to admit to second thoughts before things get too far along. In some respects at least, the Congressional Accountability Act may backfire. Intended to force Congress out of its hypocrisy, its real effect is to extend a lot of bad legislation farther.

It's not members of Congress but taxpayers who will be forced to pick up the tab to bring congressional offices into line with OSHA regulations, for example. Still, if costs of this sort were the only ones, the act might be worthwhile, on grounds that everybody in this country should live by the same rules — the essence of the rule of law. Unfortunately, such costs are not the only costs. The extension of these laws to Congress may lead to some serious, unanticipated problems down the line — problems relating to the independence of the executive branch.

sonal staffs. There is also Capitol Hill's army of committee staffers. Many of them like to style themselves as "professional" staff, though they are now fully accountable to members. They need to stay that way. We do not need a bureaucracy on Capitol Hill that is free to develop an agenda of its own in defiance of the elected representatives of the people. Otherwise we might as well do away with elections altogether.

In addition, the opportunity for abuse by the executive branch is not inconsequential. What happens if certain members of Congress — say, those causing the administration the most trouble — are targeted for investigation? More subtly, will members be intimidated by the new power at the disposal of the executive branch and therefore be more cooperative politically?

When Congress reauthorized the Independent Counsel Act this summer, it inserted language allowing for the appointment of an independent counsel in cases involving a member of Congress. The old law had applied only to the executive branch. Once again, hypocrisy was the charge, and Congress addressed the hypocrisy by extending the law to itself. We will see how this works out in practice. But consider this scenario:

Rep. X, in his capacity as ranking minority member of a committee with executive branch oversight responsibilities, has been leading efforts to investigate potential wrongdoing in the executive branch. Rep. Y, the chairman of the committee, who wants he oversight to shut down, drops a line to the attorney general saying that Rep. X may have violated the law in relation to a gift X received. Suppose Rep. Y's reading of the law is a stretch — possible, but novel and highly unlikely to prevail in court.

Now, in a world without independent counsels, if the attorney general wants to go after Rep. X, there is a political price to be paid: The administration may be seen as retaliating against someone causing it political embarrassment. Moreover, any investigation the administration undertook would be secret. If the government became convinced that no case could be made, the affair would end with little embarrassment to Rep. X. If there were leaks, Rep. X could cite the potential political motives of the leakers and demand an accounting.

In the world of the independent counsel, Rep. X enjoys the protections afforded by political accountability in a form so highly attenuated as to be nearly meaningless. Now the attorney general need merely say, "Yes, specific and credible allegations of wrongdoing by Rep. X have been made, and yes, there is a basis for investigating these matters further. Therefore, I am required to ask the special division to appoint an independent counsel."

Letters

Janet Reno twists the law to punish the innocent

Well, it looks as though congratulations are in order for Janet Reno, the best attorney general since Ramsey Clark ("Thrift settles charge of bias in marketing," Business, Aug. 23).

Miss Reno finally brought those consummate evildoers at Chevy Chase Federal to book. Of course, to do it she had to create an interpretation of the Community Reinvest-

ment Act so bizarre that even those who wrote that regulation wouldn't recognize it. It seems that you can now discriminate if you don't build bank branches and provide services outside of your defined market area. Pure Lewis Carroll.

Miss Reno should know that there are two very fine black-owned banks in the city that don't seem to have established any branches in

predominantly white neighborhoods. Is she going to make them put branches in Georgetown and Spring Valley?

WILLIAM A. GALLAGHER
Galesville, Md.

■ Mr. Gallagher has worked in banking for 23 years.

— The Editor

D.C. government would do better if it decided to do less

Readers of The Washington Times got a depressing glimpse of mismanagement in the D.C. government's Department of Consumer and Regulatory Affairs (DCRA) in the Aug. 8 Special Report "City agency produces horror story." But after reading about such things as broken elevators leading to the D.C. elevators inspector's office, readers might wrongly conclude that the solution to DCRA's problems is to give the agency more taxpayer money in order to fix things up.

In fact, the problem with DCRA, and the District government in general, is that it tries to do too much and as a result ends up not performing any function very well. For example, DCRA spends almost \$2 million each year overseeing the District's rent control law. But it is hard to find a justification for rent control in a city where residents are leaving at the rate of more than 10,000 each year, thereby leaving thousands of housing units open. In this environment, the ability of landlords to raise rents is limited by simple supply and

demand without the need for an expensive city bureaucracy.

Residents can hope that the D.C. government will improve its management so as to reduce the "horror stories," but this is far more likely if its sheds its extraneous functions in order to concentrate on the basic services that businesses and citizens really need.

CHRIS R. EDWARDS
Economist
Tax Foundation
Washington

U.S. should hold to its limit on those granted political asylum

Semyon Reznik complains that many Russian Jews who "came to this country on temporary visas and then decided to stay" are being denied political asylum despite evidence of rising anti-Semitism in the former Soviet Union ("Asylum seekers find a tragedy of errors," Op-Ed, Aug. 24). Mr. Reznik's point seems to be that any Russian Jew who manages to reach the United States and requests political asylum should automatically receive it.

Mr. Reznik's point is not well taken. The fact that an Immigration and Naturalization Service report he cites found that Russian Jews "are now less protected than under the communist regime" does not necessarily mean, as he asserts, that "every Russian emigre who can establish his Jewish identity is eligible for political asylum." By law, each asylum applicant must demonstrate a credible threat of persecution to his own person. It is simply not the case that every Jew,

everywhere in Russia, faces the threats of death, imprisonment or bodily harm from the Russian government that would warrant a grant of asylum.

Mr. Reznik glides quickly over how these frustrated asylum-seekers got here in the first place. The State Department will not issue "temporary visas" to aliens whose real intention is to immigrate. Had most of Mr. Reznik's Russians told the truth on their visa applications, they would never have been admitted. If they wanted to resettle in the United States to escape persecution, they should have applied for admission as refugees and waited their turn. Russian Jews enjoy a privileged status within the U.S. refugee program. Under the Lautenberg Amendment, they benefit from special admission standards, and Russia is one of the very few presidentially designated countries where someone can claim refugee status with-

out having fled his native country.

Like Mr. Reznik, I can sympathize with the anxiety of Russian Jews about their future in an increasingly nationalistic and historically anti-Semitic country. If I were them, I would rather be here than there. However, unlike most of the world's persecuted minorities, Russian Jews have another country, Israel, that is eager to provide them a safe haven. The state of Israel and its programs for settling Jewish immigrants have been heavily endowed by U.S. taxpayers. Notwithstanding this "escape hatch" that is open only to them, Jewish refugees have been granted U.S. immigration opportunities that are being denied to millions of non-Jewish refugees who are in more dire circumstances. Isn't it unseemly to demand even more privileges?

WILLIAM W. CHIP
Washington

Greedy doctors created the need for health care reform

Dr. Raymond Scalettar is correct in saying that even though the debate over health reform is before Congress, "issues of medical ethics

for patients will exist when "physicians must answer to a corporate bottom line" or when a patient "is not told that a particular X-ray due

formance of surgical procedures beyond what would statistically be expected in a population of a given size and demographic character?"

example. Still, if costs of this sort were the only ones the act might be worthwhile, on grounds that everybody in this country should live by the same rules — the essence of the rule of law. Unfortunately, such costs are not the only costs. The extension of these laws to Congress may lead to some serious, unanticipated problems down the line — problems related to such weighty matters as the Constitutional separation of powers and Congress' accountability to the people.

Specifically, members of Congress need to maintain the complete control they now have over congressional staff. Extending to congressional staff the protections of civil rights and labor laws, which can only be enforced by the executive branch, runs a number of risks.

One of them is that staffers will no longer be fully accountable to their principals. They will have recourse to executive branch agencies and the courts to defend their employment. Do we really need affirmative-action plans governing congressional hiring? Protections afforded to staffers seeking to unionize against the wishes of their bosses who are from right-to-work states?

Moreover, it's not just a question of members' per-

ability in a form so highly attenuated as to be nearly meaningless. Now the attorney general need merely say, "Yes, specific and credible allegations of wrongdoing by Rep. X have been made, and yes, there is a basis for investigating these matters further. Therefore, I am required to ask the special division to appoint an independent counsel."

Rep. X now has had his name tarnished in public. He can look forward to a lengthy and costly investigation. And he is all but paralyzed by circumstances from raising the issue of the political motivations behind the prosecution. The president and the attorney general are in a position to say, "It's not up to us. The law is the law, and the matter is in the hands of the independent counsel."

The independent counsel law is bad news on separation-of-powers grounds. It didn't get any better at all by its extension to Congress. The potential for its abuse for political reasons has never been greater.

The idea of pointing out how Congress had exempted itself from the laws it imposed on others was to emphasize that many of these laws are undesirable and onerous. Before that argument gets used for another purpose, it's time to rethink.

Lawyers on trial

In a blow to prison library lawyers in Nevada, the state's supreme court recently threw out a legal malpractice suit brought by Jerome J. Morgano against his onetime defense attorney, James E. Smith. According to the New York Times, not only did the Nevada high court affirm a lower court's ruling that Morgano (who had gone to jail on drug charges) had brought a frivolous lawsuit; the justices went farther, deciding unanimously that prisoners must first get their convictions overturned before they are allowed to sue their former attorneys.

Mr. Smith was not exactly thrilled with his victory — as a defense lawyer, he is not in the habit of seeking restrictions on the rights of the accused or convicted. Morgano could not be reached for comment by the New York Times: Having been paroled, he skipped town and is now a fugitive.

One effect of the court's ruling imposing the new limits is to alleviate the burdens that suits such as this impose on the state's court system. But the justices' principled reasoning was also compelling. If a prisoner is guilty of the crime for which he is imprisoned, the court reasoned, then even if his lawyer made mistakes in his defense, the consequence was that the prisoner was punished in a manner he deserved. Malpractice occurs in the case of an innocent man going to jail because of the negligence of incompetence of his lawyer. If the prisoner cannot demonstrate to a court's satisfaction that he is, in fact, innocent, said the justices, he has no beef against his lawyer.

With its ruling, the Nevada high court has hinted at a conception of legal fairness that all too often seems to have been forgotten by the modern U.S. judicial system. At times, "fairness" for the accused seems to imply that a trial is rather like a game of chance. Now, a coin toss is something that is fair only if each of the two participants has an equal chance of winning. But the same view has taken root in the case of trials also — that somehow the accused is entitled to a 50-50 shot at acquittal or conviction. The justices in Nevada have pointed out that there is nothing

inherently unfair about the guilty being punished.

In point of fact, it's exceedingly rare for innocent people to be convicted of crimes. For one thing, in most large jurisdictions, 80 to 90 percent of cases are disposed of through plea agreements, and in plea bargaining a defendant admits guilt — sometimes to exactly what he has been accused of, sometimes to lesser charges. Under the new Nevada rule, very few convicts will be able to sue their lawyers. As was the case with Morgano, most are in prison on charges to which they pleaded guilty. A guilty plea remains a substantial obstacle to subsequent attempts to demonstrate one's innocence, thank heavens.

This does not mean, however, that it never happens that an innocent person is persuaded to plead guilty — sometimes even by an overworked or incompetent lawyer. The Nevada rule leaves little recourse for such a prisoner.

The answer to this rare but documentable dilemma is not legal malpractice litigation, however. Instead, a greater reliance on actual trials is called for. Evidence needs to be heard, witnesses questioned and cross-examined, accusers confronted. This is no small reform, especially given the lumbering behemoths that so many jury trials have become.

But there are other ways. In Philadelphia, for example, defendants may be given the option to choose a bench trial as an alternative to a plea. If the defendant chooses to appear before a judge for trial, rather than a jury, he could be given the same consideration in sentencing that is now available to those who cop a plea. And if the competence of representation is, indeed, an issue, there is no better venue for seeing it than at trial — including a bench trial.

A fair trial is one in which the accused is vigorously and capably represented. Stopping frivolous appeals such as the one brought by Morgano may be one step in freeing the courts' time for real trials. If so, the Nevada Supreme Court will have done much to ensure fairness for the accused.

Greedy doctors created the need for health care reform

Dr. Raymond Scalettar is correct in saying that even though the debate over health reform is before Congress, "issues of medical ethics have never been placed in the proper context" ("Medical ethics begins with the doctor-patient bond," Op-Ed, Aug. 23).

Dr. Scalettar is sadly mistaken, however, to suggest that the only meritorious medical ethical issues are those related to what for medical consumers is a mythical doctor-patient covenant.

As former chairman of the board of trustees of the American Medical Association (AMA), Dr. Scalettar talks the AMA's time-worn talk about doctor-patient relationships. But the practice of modern medicine hasn't walked the doctor-patient relationship walk since Medicare became the law of the land in 1964.

It is no accident that the extraordinary spiral in health care cost inflation found its genesis with the enactment of a needed health care program for the elderly but which lacked any cost controls and began by requiring the taxpayers to pay whatever was charged for whatever services ordered by hospitals or doctors, no matter how outlandish the bills.

Despite some restraints subsequently imposed — mostly during the 1980s — the coin of the real in the practice of modern medicine is greed; greed on the part of insurers, medical teaching institutions, medical researchers, hospitals, pharmaceutical companies and, yes indeed, doctors, particularly those who specialize and whose concern for their wallets too often outweighs concern for their unwitting patients when ordering up expensive, sometimes invasive diagnostic procedures that are too often of dubious necessity.

Under the circumstances, is it any wonder why managed care organizations such as health maintenance organizations (HMOs) and preferred provider organizations (PPOs) operated by their parent insurance corporations have become increasingly attractive to employers desiring health coverage for their employees at an affordable cost? With or without congressional enactment of health reform, the trend toward managed care and away from the traditional fee-for-service arrangements that have so enriched the doctors will continue as long as profligacy is allowed to be placed ahead of legitimate patient needs by the medical-care industrial complex.

Dr. Scalettar makes his case appealing by asking what concerns

for patients will exist when "physicians must answer to a corporate bottom line" or when a patient "is not told that a particular X-ray dye is potentially more hazardous but cheaper," yet the "third-party payer or HMO will not pay for the more expensive medication." To buy Dr. Scalettar's argument, the reader is expected to trust — as most Americans blindly do — that medical providers have their best interests at heart. Dr. Scalettar would have us believe that it is the impersonal decisions of cost-conscious third-party payers alone that stand between patients and good care by staying focused on the corporate bottom line.

Third-party payers are not alone in making impersonal bottom-line decisions when it comes to patient care. What really lies at the heart of Dr. Scalettar's flawed argument is a question of whose bottom line is enriched at whose expense. What matters most to the proponents on all sides of the health reform debate, after all, is how the largess of our nation's health system will be divided. Sadly, the interests of the sick are subordinated to the pecuniary goals of the debate's participants, and Dr. Scalettar's reliance on an argument designed to extol the virtues of a near-non-existent doctor-patient relationship is a good example of this subordination, in this case by the AMA.

Honesty on the part of those spending the most to shape the health reform debate and the opinion of the American public about this debate is in relatively short supply. It is this phenomenon, among others omitted by Dr. Scalettar, that constitute the most pressing medical-ethics issues in greatest need of being placed in the proper context as the health reform debate rages onward.

Would Dr. Scalettar deny, for example, that medical students and residents are often trained by performing unnecessary procedures on unsuspecting patients, sometimes in the absence of an attending physician, in order to gain needed medical experience? Perhaps, but anyone having any familiarity with big city hospitals that predominantly serve the poor and which are affiliated with medical teaching institutions knows instinctively how little currency there is in the overly vaunted doctor-patient relationship when educating students is the overarching objective of the care provided to hospital patients whether they need it or not.

Would Dr. Scalettar further deny the fact that overconcentrations of surgeons result in excessive per-

formance of surgical procedures beyond what would statistically be expected in a population of a given size and demographic character? Perhaps, but many of those working in hospitals everywhere that surgery is performed are privy to a dirty little secret that would cost them their jobs if revealed publicly. It's hard to find the value of a doctor-patient relationship in the operating room where costly surgeries are performed routinely in excess of statistically expected need.

Finally, would Dr. Scalettar deny that the profusion of costly medical specialists has engendered a concomitant profusion of costly multiple medical visits by individual patients to multiple specialists, each of whom orders hosts of costly diagnostic procedures even though a dwindling number of general practitioners or family physicians could have offered a patient with more than one complaint the benefit of far less costly and far more convenient one-stop shopping? Perhaps, but anyone with more than one medical problem who has seen his or her private doctor lately knows that the medical revolving door is more efficient at spreading the wealth among practitioners than it is at expeditious delivery of medical care.

It is indeed difficult to worship at the altar of the doctor-patient relationship while being referred from pillar to post among physicians one has never seen or heard of before.

PAUL S. EGAN
Washington

■ Mr. Egan, formerly executive director of the Vietnam Veterans of America, has worked on government, political and health care issues for the past 25 years.

— The Editor

Victims of ideology

John Leo's claim ("Degrees under devaluation," Commentary, Aug. 13) that "a degree comes only from hard work and learning" is a platitude reeking of Calvinist morality.

A degree also depends on intelligence, and the City University of New York (CUNY) is full of students who are not college material, through no fault of their own. CUNY is the victim of egalitarian ideology.

MARK OLLER
Alexandria

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