

Originally Processed With FOIA(s):  
S

FOIA Number:

# FOIA MARKER

**This is not a textual record. This is used as an administrative marker by the George Bush Presidential Library Staff.**

---

**Record Group/Collection:** George H.W. Bush Presidential Records  
**Collection/Office of Origin:** Speechwriting, White House Office of  
**Series:** Speech File Draft Files  
**Subseries:** Chron File, 1989-1993

---

**OA/ID Number:** 13497  
**Folder ID Number:** 13497-003

---

**Folder Title:**  
Six Months of the Bush Administration 7/89 [9]

---

Stack:	Row:	Section:	Shelf:	Position:
<b>G</b>	<b>25</b>	<b>6</b>	<b>4</b>	<b>3</b>

---

- **Deferral of tax liability** when an individual is required by his or her agency to divest assets in order to avoid conflicts of interest.
- **Strengthened rules against abusing the revolving door for private gain at the expense of the public trust.** These rules would also apply for the first time to the legislative branch.
- **A 25 percent pay raise for federal judges** was proposed in ~~the~~ <sup>separate</sup> legislation submitted April 12. On July 7, the President <sup>also</sup> submitted ~~separate~~ legislation calling for pay increases for certain specialized professionals and other senior officials in the executive branch.
- **Congressional Honoraria Ban:** On July 7, the President also sent to Congress legislation that calls for the elimination of Congressional honoraria by 1991, making the next Congress honoraria-free. This proposal is linked to the enactment by Congress of a pay increase for its Members, and the President will work with Congress toward this end.
- The extension of the federal statute that prohibits employees from taking actions that enhance their own financial interest to cover legislative and judicial branch employees (but not Members of Congress).
- The extension of the **Independent Counsel statute** to cover the Congress and the creation of an independent, non-partisan Congressional Ethics Office.

Sweeney  
7362

?



**U.S. Department of Transportation**

Office of the Secretary of Transportation

Assistant Secretary for Budget and Programs

400 Seventh St., S.W. Washington, D.C. 20590



July 26, 1989

NOTE TO: John Gaughan

FROM: Kate L. Moore *KLM*

SUBJECT: Response to BBA: 6 Months

*Insert #2 Transportation P. 7*

*Denise, please include Sandy*

With respect to the 6-month review, I propose adding the following kind of paragraph under the section "Keeping the Economy Strong:"

Air Transportation Security and Investment:

The Administration has taken several measures to enhance safety, security, and efficiency in the air transportation system. These efforts include a proposed 17% increase in the budget for the Federal Aviation Administration, new requirements for the installation of ~~explosive~~ detection devices in high-risk airports, new safety requirements for older aircraft, and intense international negotiations to enhance security abroad.

If you need any resistance to the inclusion of this paragraph, you might remind the White House that this subject was included in the original Building A Better America document of February 1989. They seem to be tracking this document.

I believe the Civil Rights sections need beefing up (but I don't have the facts to do so).

I have proposed one edit to page 17 which is attached.

Attachment

c: Ken Quinn  
Betty Monro

*Add to John's*

*delete w/ line*

*Move from end to head of ex/Al/civil r. etc.*



OFFICE OF NATIONAL DRUG CONTROL POLICY  
EXECUTIVE OFFICE OF THE PRESIDENT  
Washington, D.C. 20500

July 26, 1989

FAX TRANSMISSION TO: Chriss Winston  
Office of Communications

FROM: David Tell *df*  
Deputy Chief of Staff

SUBJECT: "Six Months of the Bush Administration"

---

All of the drug material in this package is fine so far as it goes. Two related missing things are a problem, though.

You've got to make some reference to the President's upcoming (early September) release of his first National Drug Control Strategy, and you've got to allow room in your rather extensive and too-concrete drug budget discussion for what will in all likelihood be -- simultaneous with that release -- a Presidential call for significant additional FY90 drug funds.

Details of both strategy and budget are still under review and not yet set in stone. You probably should not forecast either; we want to save as much big bang as possible for the President's announcement. I suggest you give yourself wiggle room merely by reminding your readers that the President will release a new strategy in September, that it will contain some big and important recommendations and initiatives for every front of the drug war -- in addition to those discussed in "Six Months," and that the Administration has "already" (a key word: without winking and nodding, it doesn't rule out more FY90 spending) requested X billion dollars for this and that drug thing.

Sorry not to have detailed line edits for you. It's all I can do to keep up with my office's stuff.

Call me if you need to talk about this.

THE WHITE HOUSE  
WASHINGTON

Other topics that may want to be added:

Adoption

Abortion

From USTR:

page 3 Summary

Steel VRA's: The Steel Trade liberalization program designed to restore an open, equitable, and competitive global market for steel.

Paper page 12

GATT: progress has been made towards the successful conclusion of the Uruguay Round of multilateral trade negotiations by December 1990. These negotiations are intended to strengthen the multilateral system, improve the GATT as an institution, expand market access for trade and goods, and extend GATT discipline to new areas of trade, such as services and investment.

Suggested language from HUD:

Under Civil Rights: Fair Housing Law: The Congress with the support of the Administration supported the passage of a new fair housing law that broadly expanded the ability of the federal government to enforce laws against discrimination in housing. The law went into effect on March 12, 1989 and HUD and Justice are working to vigorously enforce the new law.

THE WHITE HOUSE  
WASHINGTON

July 26, 1989

MEMORANDUM TO CHRISS WINSTON

FROM: JEREMY L. SHANE *JLS*  
Office of Issues Analysis (Breedon)

RE: "SIX MONTHS OF A BUSH ADMINISTRATION"

I noticed on page 17 of the second document that your office still needed information regarding the Administration's comprehensive oil spill liability bill. Attached for your reference is a statement of purpose and section-by-section analysis of the Administration's proposal.

The original Administration bill included provisions which would allow international oil spill treaties to preempt state laws. This is a sensitive issue, and the briefing paper should not refer to the state preemption provision.

Please call me at 2270 if you have any further questions or need any additional information.

###

89 JUL 26 P2:39

0-1-80

## STATEMENT OF PURPOSE AND NEED

This legislation will strengthen and consolidate oil spill liability and compensation to provide better protection for our environment and a faster system for compensating the victims of oil pollution.

Currently, four Federal and several State statutes deal with oil spill liability and compensation at the domestic level. These statutes contain many inconsistent provisions. Each provides different liability standards, legal defenses and monetary limits for spillers and means for recovery of the costs of cleaning up a spill. In addition to these statutory authorities, there are international and voluntary programs which establish oil spill liability and compensation regimes for their signatories or members.

The purpose of this legislative proposal is threefold: one, to strengthen the four existing vessel oil pollution liability and compensation regimes under the Federal Water Pollution Control Act, the Trans-Alaska Pipeline Authorization Act, the Deepwater Port Act, and the Outer Continental Shelf Lands Act and merge them into a unified and comprehensive program; two, to establish a two-tier domestic liability and compensation system financed by vessel and facility owners and the oil industry to compensate the United States Government, the States and our citizens for removal costs and damages associated with oil spills; and three, to provide protection from foreign and domestic tanker oil spills by implementing the 1984 Protocols to the 1969 Civil Liability and 1971 FUND Conventions.

As recently demonstrated by the Exxon Valdez oil spill in Prince William Sound, oil spills can have catastrophic and long-term effects on the environment and the livelihoods of our citizens. While an existing patchwork of laws requires potential polluters to maintain evidence of financial responsibility for certain cleanup and removal costs and to contribute to funds to cover excess costs, the liability and coverage provided is inadequate, inconsistent and outdated. This bill would establish a strict liability system with high liability limits to make certain that those responsible for oil pollution will be held responsible for the cost.

This amount is substantially in excess of the cost associated with any previous oil spill, including the Exxon Valdez, Amoco Cadiz and the Ashland oil spill in the Ohio River. However, if even this is inadequate, the President may authorize waiving the \$500 million Fund cap and recover the additional costs from the cargo owner or consignee. This ensures that no oil spill will be too large for a complete response. Under the two-tier domestic system established in this bill, the individual polluter is primarily responsible for removal costs and damages, up to his liability limits (\$75 million for facilities, \$78 million for tankers and \$300 per ton for other vessels). Claims for clean-up and restoration in excess of the polluter's liability limits would be covered, up to \$500 million, by a fund financed by a 1.3 cent per barrel fee on oil. This two-tier system would shift the economic burden to the potential polluters and the oil industry and eliminate the need for appropriations from general revenues to the 311(k) fund established under the Federal Water Pollution Control Act. The bill also authorizes a cause of action against the oil companies, the cargo owner or consignee, under which claimants can sue for economic damages in excess of the shipowner's liability limit.

Seagoing tankers, in particular, pose a threat of oil pollution to our waters and shoreline. This bill would implement the 1984 Protocols to the 1969 Civil Liability and 1971 FUND Conventions. The legislation would preempt State oil pollution liability laws, enabling U.S. participation in the 1969 Civil Liability Convention. Compensation funds and other aspects of State programs would not be preempted. The protection provided from ratification and implementation of these treaties constitutes an important Federal interest and far outweighs the uncertain recovery of the preempted State laws.

## SECTION-BY-SECTION ANALYSIS

### TITLE 1--OIL POLLUTION LIABILITY AND COMPENSATION

#### Sec. 101. Definitions

**Summary:** This section defines the key terms used in the bill. The definitions generally follow other pollution liability and compensation statutes. Offshore and onshore facilities are defined separately. Inland oil barges are treated as vessels and not as tankers for liability limit purposes under the definitions.

#### Sec. 102. Liability

**Summary:** This section sets out the nature and scope of liability of responsible parties (e.g. vessel owners and operators and facility lessees or permittees), cargo owners and cargo consignees and the Fund.

Subsection (a)(1) makes responsible parties jointly, severally and strictly liable for section 102 damages.

Subsection (a)(2) creates a cause of action against the cargo owner and cargo consignee for economic damages in excess of the responsible party's liability limit.

Under this Act, the responsible party for the tanker, other vessel, or facility is primarily responsible for the payment of economic damages. As the responsible party for the operator under whose control the safety of the vessel or facility is vested, it is appropriate that it should bear the initial, and in most cases all of, the cost associated with the payment of verified economic damages. In the rare oil spill incident where economic damages remain unsettled after the responsible party's liability limit has been reached, it is appropriate that the cargo owner or cargo consignee, who is differently situated from the responsible party, bear the burden for the remainder of economic damages compensation.

Subsection (a)(3) sets out the removal costs, restoration costs and restoration assessment costs for which a responsible party would be liable.

Subsection (a)(4) sets out the covered damages for economic loss: real or personal property; subsistence use; revenues; and profits and earnings capability.

Subsection (a)(5) excludes discharges permitted by Federal, State or local law permits.

Subsection (a)(6) sets up a special system for mobile offshore drilling units (MODU's). The owner of the MODU would be primarily liable up to the maximum amount of liability for a tanker, for a spill originating on or above the surface of the water. For excess liability, the MODU would be treated as a facility.

Subsection (a)(7) sets out the liability of third parties. When the discharge was caused solely by the act or omission of a third party, or in the case of the U.S. Government, the negligence of that government, then that third party is liable for costs up to applicable limitations.

Subsections (b)(1) and (b)(2) set out the defenses to liability. These are that the incident resulted from an act of God, war or a third party. Also, if a claimant's willful misconduct caused the incident, there is no liability to that claimant.

Subsection (c)(1) sets the maximum liability for a tanker (the lesser of \$500 per gross ton or \$78 million with a minimum of \$5,000,000), other vessels (the greater of \$500,000 or \$300 per gross ton) and for facilities (\$75 million).

Subsection (c)(2) sets out the circumstances that could prevent a responsible party from limiting its liability. These are when the incident is caused (1) primarily by willful misconduct known by or associated with the responsible party, (2) by a known violation of a safety standard, or (3) when the responsible party does not report the incident as required or fails to provide all reasonable cooperation or assistance requested by responsible officials.

Subsection (c)(3) gives the Secretary of Transportation the discretion to lower the liability limit of a facility from \$75 million to as low as \$8 million, taking into account size, capacity and risk factors.

Subsection (d) sets out the responsible party's liability for interest, stating that interest must be paid from the date on which the claim is presented until the claim is paid, with certain exceptions.

Subsection (e) concerns liability for injury to, destruction of or loss of natural resources. The President, when the U.S. is the trustee for the natural resource, or the representative of the State, Indian tribe or foreign government, shall act on behalf of the public and assess the damages and develop a plan to restore, rehabilitate, replace or acquire the equivalent of the damaged resource.

Subsection (e)(3) states that costs would be limited to the sums necessary for the reasonable restoration, replacement or acquisition.

Subsection (f) concerns recovery by foreign claimants. Foreign governments may recover costs and damages allowable under this subsection. This section is for the benefit of Mexico and Canada and permits recovery for spills in U.S. waters that damage foreign countries and spills from tankers traveling from the Trans-Alaska Pipeline to U.S. ports.

Subsection (g) sets out how responsible parties may recover removal and restoration costs from the Fund if entitled to a defense to liability or limitation of liability.

Subsection (h) permits actions for contribution against other potentially liable parties.

Subsection (i) concerns indemnification agreements, permitting insurance agreements but not allowing agreements that would transfer liability away from the responsible party.

#### Sec. 103. Uses of the Fund

The establishment of a domestic Oil Spill Liability Trust Fund to be financed by a fee of 1.3 cents per barrel of oil was authorized by earlier enacted legislation. This section provides that the Fund may be used for immediate payment of government response costs, the payment of uncompensated claims under section 102(a)(2) of the bill, administrative and enforcement costs and payment of the United States' annual contribution to the International Fund. The section establishes a per incident cap of \$500 million. It authorizes States and Indian tribes a "direct draw" of up to \$50,000 against the Fund for emergency cleanup, with the requirement that the official designated by the Governor to exercise this authority notify the Secretary of Transportation within 24 hours of any obligation of payment from the Fund. The statute of limitations for claims against the Fund is three years from the date of the injury necessitating the restoration. This section also permits the Fund to be used to reimburse the Inspector General for the costs of audits required by this section.

#### Sec. 104. Claims Procedure

This section provides that except for certain responsible party cleanup costs, claimants must make their claims against the responsible party or guarantor before they may assert claims against the cargo owner or cargo consignee or against the Fund. Claims for removal and restoration costs not settled within 180 days of presentation to the responsible party may be presented to the Fund. The fund may assert a claim against the cargo owner or cargo consignee to recoup its removal and restoration costs.

### **Sec. 105. Designation and Advertisement**

This section requires the Secretary, where possible and appropriate, to designate the vessel or facility that is the source of an oil pollution incident. The responsible party for such a vessel or facility is then required to advertise the designation and to set out procedures under which a claim may be presented to the responsible party or to his guarantor. If the responsible party and guarantor both deny a designation within five days after receiving notification, if the source of the oil pollution is a public vessel or the Secretary is unable to designate the source, the Secretary is required to advertise and notify potential claimants how to present removal and restoration claims to the Fund.

### **Sec. 106. Subrogation**

This section states that any person, including the Fund, who pays compensation to claimants for costs, damages, or interest shall be subrogated to all rights, claims and causes of action that the claimant has under this Act.

### **Sec. 107. Financial Responsibility**

Subsection (a)(1) imposes on the responsible parties of vessels the requirement that they provide evidence of financial responsibility to meet their potential maximum liability as established by section 102. Inland barges that do not carry oil as cargo or fuel (e.g. sand barges) are exempted from the requirement. If a responsible party has more than one vessel, evidence of financial responsibility need be established only to meet the maximum liability limit of the largest of the vessels.

Subsections (a)(2), (3) and (4) direct the Secretary to take certain actions if these certification requirements are not met: withhold or revoke clearance of the vessel; or deny entry to the facility or detain the vessel.

Subsection (b) requires evidence of financial responsibility by responsible parties for offshore facilities. If a responsible party has more than one offshore facility, evidence of financial responsibility need be established only to meet the maximum liability applicable to one facility.

Subsection (c) lists the acceptable methods of establishing financial responsibility.

Subsection (d) permits claims directly against the guarantor, known as "direct actions." The subsection also allows the guarantor to invoke the defense of willful misconduct.

Subsection (f) establishes a civil penalty for violating the financial responsibility provisions of the bill of up to \$25,000 per day.

Subsection (g) is a technical subsection providing for the continuation of regulations.

Subsection (h) allows the Secretary to issue one certificate of financial responsibility, a unified certificate, for the purposes of this Act and CERCLA.

#### **Sec. 108. Litigation, Jurisdiction and Venue**

This section provides that jurisdiction for all actions is in Federal district courts. Venue exists where the injury occurred, or the defendant resides, may be found, or has its principle place of business. All claims for review of regulations promulgated under the Act must be made within 90 days of promulgation to the Circuit Court of Appeals of the United States for the District of Columbia. The statute of limitations for claims is generally three years.

#### **Sec. 109. Relationship to other Law**

Subsection (a) preempts actions under other laws in State or Federal court against responsible parties for costs and damages specified in the Act.

Subsection (b) preserves from preemption all State funds and permits States to continue to require contributions to their funds.

Subsection (c) preserves from preemption the authority of the United States, all States and political subdivisions to impose civil penalties for violating laws relating to an oil pollution incident.

Subsection (d) preempts State financial liability regimes and requires States to accept evidence of compliance with the financial responsibility requirements of this title.

#### **Sec. 110. Effective Date**

The section does not permit retroactive payments and ties to the payments from the Fund to the effective date specified in section 208.

**TITLE II--CONFORMING AMENDMENTS**

**Sec. 201. Trans-Alaska Pipeline Fund**

This section would preserve TAPS monies for claims for costs and damages resulting from the grounding of the Exxon Valdez in Prince William Sound on March 24, 1989.

**Sec. 202. Intervention on the High Seas Act**

This section makes a conforming amendment to the Intervention on the High Seas Act.

**Sec. 203. Federal Water Pollution Control Act**

This section makes conforming amendments to the Federal Water Pollution Control Act.

**Sec. 204. Deepwater Port Act**

This section makes conforming amendments to the Deepwater Port Act and transfers the funds in the Deepwater Port Liability Fund to the Oil Spill Liability Trust Fund.

**Sec. 205. Outer Continental Shelf Lands Act Amendments**

This section makes conforming amendments to the Outer Continental Shelf Lands Act and transfers the funds in the Offshore Oil Pollution Compensation Fund to the Oil Spill Liability Trust Fund.

**Sec. 206. Enforcement of the Federal Water Pollution Control Act** includes several amendments to sections 308, 309, and 311 of the Federal Water Pollution Control Act in order to encourage compliance with the Act.

**Sec. 207. Title 26, United States Code**

This section contains conforming amendments to sections 4611 and 9509 of the Internal Revenue Code of 1986.

**Sec. 208. Effective Date**

This section makes this title effective on the later of the commencement date in section 4611(f)(2) of the Internal Revenue Code of 1986 or the effective date of the first Appropriations Act enacted for the purposes of section 9509(c)(1)(A) of the Internal Revenue Code of 1986.

## **TITLE III--IMPLEMENTATION OF INTERNATIONAL CONVENTIONS**

### **Sec. 301. Definitions**

This section defines terms used in conjunction with the two international conventions, the International Convention on Civil Liability for Oil Pollution Damage, 1984 (Civil Liability Convention) and the International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage, 1984 (Fund Convention).

### **Sec. 302. Applicability of Conventions**

This section specifies the period during which the Civil Liability and Fund Conventions apply. The Senate must consent to ratification.

### **Sec. 303. Recognition of International Fund**

This section recognizes the International Fund as a legal person under the laws of the United States. It appoints the Secretary of State as the Fund's agent for service of process.

### **Sec. 304. Action in United States Courts**

This section specifies that the International Fund must be served with copies of complaints and pleadings and that the Fund may intervene as a party as a matter of right in any action brought under the Civil Liability Convention.

### **Sec. 305. Contribution to International Fund**

This section authorizes payments to the International Fund from the domestic Oil Spill Liability Trust Fund. It also authorizes the Secretary to require that certain receivers of oil make certain information available.

### **Sec. 306. Recognition of Foreign Judgments**

This section declares that a final judgment rendered in a court of any country which is a party to the Civil Liability Convention or the Fund Convention will be recognized by United States court unless obtained by fraud or the defendant was not given reasonable notice and a fair hearing.

**Sec. 307. Financial Responsibility**

This section requires the maintenance of evidence of financial responsibility as required by Article VII of the Civil Liability Convention, authorizes the Secretary of Transportation to issue certificates of financial responsibility under the Civil Liability Convention, authorizes the Secretary of the Treasury to withhold or revoke clearances and the Secretary of the Department in which the Coast Guard is operating to deny entry or detain vessels that cannot produce a certificate demonstrating compliance with the financial responsibility requirements. Civil penalties not to exceed \$25,000 per day may be assessed. The section also provides for the waiver of United States rights to sovereign immunity with respect to any controversy arising under the Civil Liability Convention and relating to a ship owned by the United States and used for commercial purposes.

**Sec. 308. Regulations**

The section provides the Secretary with authority to issue rules and regulations necessary to implement the two international conventions.

## WHITE HOUSE STAFFING MEMORANDUM

DATE: 7/25/89 ACTION/CONCURRENCE/COMMENT DUE BY: 12:00 NOON, 7/26/89

SUBJECT: SIX MONTHS OF THE BUSH ADMINISTRATION

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	MCCLURE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SUNUNU	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NEWMAN	<input type="checkbox"/>	<input type="checkbox"/>
SCOWCROFT	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PORTER	<input checked="" type="checkbox"/>	<input type="checkbox"/>
DARMAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	STUDDERT	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BATES	<input checked="" type="checkbox"/>	<input type="checkbox"/>	UNTERMAYER	<input type="checkbox"/>	<input type="checkbox"/>
BREEDEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<i>Bennett</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<i>Boskin</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CICCONI	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<i>Petersmeyer</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
DEMAREST	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<i>Rogers</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FITZWATER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<i>Winston</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GRAY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<i>Pinkerton</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HAGIN	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

**REMARKS:**

Please provide your comments/recommendations directly to Chriss Winston (Rm. 122, Ext. 2930) with an info copy to my office no later than 12:00 NOON, WEDNESDAY, JULY 26, 1989. Please note that TWO DOCUMENTS are attached. Thank you.

RESPONSE: *See Comments*

*SGA?*

James W. Cicconi  
Assistant to the President  
and Deputy to the Chief of Staff  
Ext. 2702

89 JUL 27 PM 2 01

((Grant))  
July 21, 1989  
Draft two  
A:sixmonth

**BUILDING A BETTER AMERICA**

**SIX MONTHS OF THE BUSH ADMINISTRATION**

**SUMMARY**

As the Bush Administration passes the six-month mark, Americans know that the President has set the agenda on a number of fronts domestically -- from the environment and education to the fight against drugs and crime. The economy is strong, with the current economic expansion continuing to set new records. Meanwhile, America is standing tall in the international arena, after President Bush's leadership at two multilateral summits paved the way for greater understanding among the allies and improved relations with the Soviet Union and the Eastern Bloc nations.

**KEEPING THE ECONOMY STRONG**

- o **Record expansion:** During the current economic expansion -- now in its 79th month as of June -- nearly 20 million jobs have been created and the unemployment rate has fallen to levels not seen in 15 years. Income levels continue to set records, and industrial output is nearly double that of

Europe. Consumer price inflation has remained under 5 percent for the past 7 years.

- o **Budget agreement:** The President has put forth a budget which restrains overall growth of spending and meets the Gramm-Rudman-Hollings targets -- with no new taxes in fiscal year 1990. The President and Congress announced on April 14 a budget plan to reduce the estimated fiscal year 1990 deficit by about \$64 billion below fiscal year 1989.
- > o **Savings and Loans:** The Administration's proposal to solve the savings and loan crisis was passed by the House and Senate and is currently in conference.
- o **Third World debt:** The Administration has taken the lead in finding a way to reduce the debt burden of developing countries. With the Administration's encouragement, the IMF and World Bank have set aside funds to aid debt reduction.
- o **Capital gains tax cut:** The President has sent to the Congress a proposal which would re-establish a capital gains differential, will encourage capital formation, saving, and job formation.
- o **Minimum wage:** The President, by vetoing the across-the-board increase in the minimum wage proposed by Congress, preserved

90-288

job opportunities for the disadvantaged and blunted the adverse economic impact such a move would have had.

- o **International Trade:** The Bush Administration successfully broke a stalemate in international trade talks and advanced its proposal to correct and prevent trade distortions in agriculture. It is engaged in bilateral trade talks with important trading partners to encourage them to open their markets to our exports.

#### SEIZING INTERNATIONAL OPPORTUNITIES FOR PEACE

- o **"Europe Whole and Free":** In a series of major speeches in April and May, the President outlined a vision of a new Europe -- secure, prosperous, whole and free -- vindicating four decades of Western policies.
- o **Poland and Hungary:** The President signalled his strong support for the people of Hungary and Poland as they move toward more democratic reforms -- by visiting those nations and offering political and moral support as well as economic and trade incentives.
- o **Economic Summit:** The unity of the industrial democracies was demonstrated at the Paris Economic Summit, as President Bush

took the lead in encouraging our allies to support Polish and Hungarian economic reforms.

- o **"Beyond Containment":** The President has responded to great changes in the Soviet Union with his policy to move "beyond containment" by integrating the Soviet Union into the world order.
  
- o **Arms Control/NATO Summit:** In arms control, the pace of negotiations with the Soviet Union has accelerated, with new American initiatives on Conventional Forces in Europe (which the President unveiled at the NATO Summit), on banning chemical weapons, and on strategic arms reduction.
  
- o **Soviet Relations:** The US-Soviet dialogue on conflicts in regions of the Third World has resumed intensively, and a US-Soviet dialogue has begun on a new range of global problems which require global cooperation, such as terrorism, the environment, and narcotics.
  
- o **China:** In response to the suppression of the democratic movement in China, the President signalled that we cannot condone repression while he worked to preserve the basic elements of a strategically important relationship.

- o **Central American accord:** The President and Congressional leaders agreed on March 24 on a bipartisan ~~strategy for~~ *approach to* peace and democracy in Central America.

*U.S. support for*

INVESTING IN OUR FUTURE

- o **Education:** The President proposed and sent to the Congress a comprehensive education package, **The Educational Excellence Act of 1989**, which includes seven initiatives on merit and magnet schools, alternative certification of teachers, excellence awards for teachers, emergency grants to help urban schools to fight drugs, new funding for endowments at Historically Black Colleges, and a National Science Scholars program. *The ~~initiative~~ <sup>initiative</sup> Act has been reported ~~from~~ to the Senate floor virtually intact.*

**Natural Gas Deregulation:** On July 26, the President signed into law the **Wellhead Decontrol Act of 1989**, which ends all remaining price controls on natural gas. This will phase out all federal price controls on natural gas.

- o **Clean Air Act revisions:** On July 21, President Bush transmitted to ~~the~~ Congress the first revisions to the **Clean Air Act** since 1977. His legislation is designed to

*Peter Broughton 2230*

drastically reduce three major threats to the nation's environment: acid rain, urban air pollution, and toxic air emissions.

- o **Hazardous waste:** The President announced he will be seeking new legislation to ban all exports of hazardous waste except where an agreement already exists with the receiving country to provide for its safe handling.
  
- o **Ozone depletion:** The President has called for a total worldwide phaseout of CFCs by the year 2000, provided safe substitutes are available, ~~in order~~ to prevent further damage to the earth's protective ozone layer, ↩
  
- o **Clean water:** The EPA has started a tracking system for medical wastes and the Justice Department has started a task force to prosecute these abuses -- the first step in a comprehensive program to help keep our beaches clean. The President is committed to end ocean dumping of sewage sludge by 1991.
  
- o **Wetlands:** The President is committed to "no net loss of wetlands" and is directing his agencies to work toward that goal. He has also proposed \$206 million in his budget to expand our parks and wildlife refuges.

- o **Combatting Violent Crime:** President Bush transmitted to Congress **The Comprehensive Crime Control Act of 1989** to combat violent crime. Measures will augment enforcement and prosecution, strengthen current law, control certain semi-automatic weapons, and expand prison capacity.
- o **Fighting Drug Abuse:** The Administration is requesting \$6 billion in funding for FY 1990 to fight the drug war, increasing outlays by nearly \$1 billion for drug education, treatment and enforcement.
- o **Drug Czar:** The Office of National Drug Control Policy has responded to the drug emergency in the District of Columbia by expanding the Metropolitan Area Task Force, working for more prisons, providing support in enforcement, and providing assistance to local treatment efforts.
- o **Space:** The President announced a three step commitment to establish America's preeminence in space -- Space Station Freedom, a permanent presence on the Moon, and a manned mission to Mars.
- o **Public Housing:** The Bush Administration is working to make public housing drug free, <sup>and</sup> to protect the rights of the vast majority of decent, law-abiding public housing residents.

*Better reading*



WORKING FOR A KINDER, GENTLER AMERICA

- o **Child Care:** The President has transmitted to ~~the~~ Congress a child care package, the **Working Family Child Care Assistance Act of 1989** which provides a new refundable child care tax credit of up to \$1000 per child under four, for low and moderate income working families. This legislation will make the existing Child and Dependent Care Tax Credit refundable, and does not discriminate against religious- and family-based child care.
  
- o **Head Start:** The President has also transmitted legislation to ~~the~~ Congress which would increase the FY 1990 authorization for Head Start by \$250 million; this will pay for enrollment of up to 95,000 more four-year-olds in the program.  
*Status?*
  
- o **National Service:** The President spearheaded a movement to encourage national service, and announced the formation of a foundation called the **Points of Light Initiative** to identify, enlarge and <sup>re</sup>create those community service initiatives which are working.  
*?*
  
- o **Welfare Reform:** The Administration issued proposed rules on April 18 to implement the major provisions of the Family

**Support Act of 1988**, as a step toward welfare reform. The Administration is proposing to spend \$3.3 billion over the next five years implementing the JOBS program. The changes will help reduce the number of individuals on welfare.

- o **Medicaid:** On April 18, the Administration forwarded to Congress proposed legislation to make federal Medicaid programs better serve pregnant women, infants and children.
  
- o **Homelessness:** President Bush has called for fully funding the McKinney Homeless Assistance Act and for a new \$50 million matching grant program to promote public/private partnerships to assist homeless families and the mentally ill.
  
- o **Enterprise Zones:** President Bush asked Congress to enact labor and capital-based incentives -- through urban enterprise zones -- to create jobs and entrepreneurial activity in our most distressed communities.
  
- o **Campaign Finance Reform:** The President's comprehensive campaign finance proposal is designed to lessen the power of special economic interests and restore competition to American Congressional elections.

- o **Ethics:** President Bush sent comprehensive ethics legislation to ~~the~~ Congress on April 12~~th~~, and he issued an Executive Order announcing ethical principles for the conduct of executive branch employees.
  
- o **Whistleblower Protection:** On April 10, the President signed S. 20, the "Whistleblower Protection Act of 1989." This law will strengthen the protections and procedural rights available to those federal employees who report misdeeds and mismanagement.
  
- o **Civil Rights:** The Administration has taken a number of actions to protect the civil rights of all Americans, including several court actions in key civil rights cases.

7

# # #



✓

**BUILDING A BETTER AMERICA**

**SIX MONTHS OF THE BUSH ADMINISTRATION**

**KEEPING THE ECONOMY STRONG**

Maintaining the current expansion with low inflation is the key to improving standards of living, increasing job opportunities for all Americans, and increasing investment in productive capacity. Economic performance during this expansion has been very good, and the policies proposed by the Bush Administration are designed to preserve this strong record.

- o **Record peacetime expansion:** The current expansion reached 79 months in June.
  
- o **Job creation:** Nearly 20 million new jobs have been created during this expansion, and the unemployment rate fell to levels not seen in 15 years. During this decade, America has created more new jobs than Japan and the nations of Western Europe combined.
  
- o **Record income:** Real per capita disposable personal income -- personal income after taxes and inflation -- has risen 19 percent during this expansion. Real median family income -- the level of income after inflation which splits the family

income distribution in half -- set a new record in 1987, the last year for which data are available.

- o **Industrial output:** During this expansion, American industrial output has grown almost 41 percent compared with overall economic growth of 29 percent. This is almost double Europe's growth rate in industrial output.
  
- o **Higher national saving and investment:** During the first eight months of fiscal year 1989, the Federal Government budget deficit is less than during the same period in the previous fiscal year. Partly due to the discipline of GRH, the Federal deficit has declined from 5.4 percent of GNP in fiscal year 1985 to about 2.9 percent this fiscal year. The personal saving rate has risen to 5.4 percent in the first quarter of 1989 from its recent low of 2.2 percent in the second quarter of 1987. Business fixed investment as a percent of real GNP has risen from a recent low of 11.1 percent in the first quarter of 1987 to 12.3 percent in the first quarter of 1989.
  
- o **Inflation under control:** Consumer price inflation has remained under 5 percent for the past 7 years, and the recent slowing in economic growth to a sustainable rate will lessen price pressures in the near future. The

Administration and the Federal Reserve share the goal of ultimately achieving price stability.

ACTION BY THE ADMINISTRATION:

- o **Presenting a budget:** The President put forth a budget which addresses our fundamental obligations for the protection of national security and support of the needy, while providing sufficient funds to advance high-priority initiatives. The President's budget restrains overall growth of spending and meets the Gramm-Rudman-Hollings targets -- with no new taxes ~~in fiscal year 1990.~~
- o **Reaching a budget agreement with Congress:** The President and Congress announced on April 14 a budget plan to reduce the estimated fiscal year 1990 deficit by about \$64 billion below fiscal year 1989. The deficit will be reduced to \$99.4 billion, as required by the Gramm-Rudman-Hollings law. *Handwritten: this decade* This is the first budget agreement reached before the start of the budget year and not framed in the context of crisis.
- o **Savings and Loan reform:** The Administration's proposal to solve the savings and loan crisis was passed by the House and Senate and is currently in conference. The proposal included provisions to:

- Assure the financial integrity of deposit insurance by raising the annual premium rate for both commercial banks and S&Ls.
  - Resolve the status of existing insolvent banks in an orderly fashion.
  - Improve supervisory control by bringing S&Ls up to the same standards applied to commercial banks.
  - Enhance the enforcement of bank fraud provisions.
- o **Solution of the international debt problem:** The Administration has taken the lead in finding a way to reduce the debt burden of developing countries. With the Administration's encouragement, the IMF and World Bank have set aside funds to aid debt reduction in conjunction with their ongoing programs to promote investment, growth, and the return of flight capital to these countries.
- o **Capital gains tax rate cut:** The re-establishment of a capital gains differential will encourage capital formation, saving, and job formation. The President has sent to the Congress a proposal which includes:
- A 45 percent capital gains exclusion for qualified capital gains, making the maximum capital gains tax rate 15 percent.
  - A phased-in increase in the qualifying holding period from one year to three years.

-- An exemption from the capital gains tax for families earning under \$20,000.

- o **Minimum wage proposal:** The President believes in keeping job opportunities available for youth and for those seeking to enter the economic mainstream. The across-the-board increase in the minimum wage which was proposed by Congress would have had an adverse economic impact and cut job opportunities drastically. Because of this, <sup>the President</sup> ~~he~~ vetoed the ~~legislation, and that veto was sustained.~~ <sup>bill passed by Congress.</sup> 90-off
- o **International Trade:** The Administration is forcefully promoting the opening of world markets. It successfully broke a stalemate in international trade talks and advanced its proposal to correct and prevent trade distortions in agriculture. It is engaged in bilateral trade talks with important trading partners to encourage them to open their markets to our exports. Together these efforts should greatly expand opportunities for U.S. exports.
- o **Agricultural initiatives:** The Administration has announced additional advance deficiency payments of 10 percent available to producers of wheat, feed grains, rice and upland cotton. In addition, a top-level Working Group on Rural Development was established by the President to focus on an action-oriented agenda.

- o **Clean Air:** The Administration transmitted to the Congress on July 21 a ~~Clean Air Act~~ *overhaul of the* Clean Air Act which will harness the power of the marketplace in achieving the goals of the act in the most cost-effective manner possible.

#### SEIZING INTERNATIONAL OPPORTUNITIES FOR PEACE

President Bush is committed to a strong American role of world leadership and sees in present global trends an unprecedented opportunity for strengthening both world peace and the cause of freedom. He has taken the initiative to seize that opportunity.

#### ACTION BY THE ADMINISTRATION:

- o **"Europe Whole and Free":** In a series of major speeches in April and May, the President outlined a vision of a new Europe -- secure, prosperous, whole and free -- vindicating four decades of Western policies.
- **Western Europe:** As the European Community heads toward a single market in 1992, and also develops its political institutions and a more coordinated approach to foreign policy, the President has pledged his support for close cooperation with the EC and its member states. We see the resurgence of Western Europe

as a triumph of Western values and principles. We welcome its success, confident that a mature partnership will serve mutual interests.

-- **Eastern Europe:** As Poland and Hungary take unprecedented steps of reform, permitting first steps toward pluralism, democracy, and market economic policies, the United States has signaled its strong support. Offering political and moral support as well as economic incentives, the President proposed:

-- **Poland:** Following up on the program the President announced earlier this year in Hamtramck, Michigan, he called for action to declare Poland a beneficiary country under the U.S. Generalized System of Preferences. OPIC will be authorized to operate in Poland, and the US is proposing a private business agreement that will promote contacts between the private sectors of both countries. The President will ask Congress to provide a \$100 million fund to help capitalize the Polish private sector, and encourage the World Bank to move ahead with new loans to help Polish agriculture and industry. Finally, he will ask Congress for \$15 million in a cooperative venture with Poland to help fight air and water pollution in Krakow. He has encouraged our friends in the Paris Club to provide more liberalized terms in rescheduling Polish debt.

-- **Hungary:** The President will ask ~~the~~ Congress to authorize a \$25 million fund as a source of new capital to invigorate the Hungarian private sector. Pending the passage of new emigration legislation in the Hungarian Parliament, the President will inform Congress that Hungary has been released from the restrictions of the Jackson-Vanik Amendments, allowing more liberal access to the American market. The President also offered access to the Generalized System of Preferences. He called for OPIC to operate in Hungary, and called for greater scientific, technical, educational and cultural exchanges between the US and Hungary. The President said ~~that~~ the US will open an American House in Budapest, and will seek to establish an International Environmental Center for Central and Eastern Europe, in Budapest as well. Finally, he announced that the Peace Corps would operate in Hungary -- the first time in a European country.

-- **The Economic Summit in Paris:** The mission of the President's historic visit to Poland and Hungary in early July, and of the President's successful effort at the Paris Economic Summit was to promote concerted actions in areas of mutual concern among the industrial democracies. The unity of the industrial democracies was demonstrated, as they dealt with a variety of issues from the economy to East-West strategies to

global environmental issues. Similarly, the solidarity of the democracies was demonstrated earlier at the NATO summit, as the North Atlantic allies dealt with arms control initiatives.

-- Throughout the trip, the President declared that we face a historic opportunity to lower the barriers that have kept Europe divided. The Cold War began over Eastern Europe, and if it is to end, it must end there as well.

- o **"Beyond Containment"**: Seeing a historic process of change ~~also~~ in the Soviet Union, the President has declared his intention to move beyond the successful policy of containment of Soviet power to a new policy whose goals is integrating the Soviet Union into the world community as a constructive partner. Constructive changes so far in Soviet policies -- in human rights, economic reforms, and settlement of some international conflicts -- need to be encouraged and broadened. The United States will be ready to respond to such further developments. Already:
  - The US-Soviet dialogue on conflicts in regions of the Third World has resumed intensively, with regular meetings at the level of Assistant Secretary of State.
  - A US-Soviet dialogue has begun on a new range of global problems which require global cooperation, such as terrorism, the environment, and narcotics.

-- In arms control, the pace of negotiations has accelerated, with new American initiatives on Conventional Forces in Europe (which the President unveiled at the NATO Summit), on banning chemical weapons, and on strategic arms reduction.

o **China:** In response to the tragic suppression of the democratic movement in China, the President ordered the suspension of all government-to-government sales and commercial exports of weapons, suspension of visits between US and Chinese military leaders, sympathetic review of requests by Chinese students in the United States to extend their stay, and review of other aspects of US-PRC bilateral relations. The President's policy is to signal that we cannot condone repression, but also to preserve the basic elements of a relationship that has itself played a major part in China's recent policy of reform and openness as well as being of enormous strategic importance.

o **Bipartisan Accord on Central America:** The President and Congressional ~~leaders~~ agreed on March 24 <sup>to</sup> ~~on~~ a bipartisan strategy for peace and democracy in Central America:

-- Regional peace: The President and Congress agreed that the region's democracies deserve our support, that Nicaragua's subversion of its neighbors must end, and

that Soviet support for violence and subversion in the hemisphere must also end.

- Humanitarian aid: Congress agreed to support the Administration's request for continued humanitarian assistance for the Nicaraguan Democratic Resistance at current levels through the elections in Nicaragua scheduled for February 1990.
- Democracy: The Communist Sandinistas are being put to the test next February -- to permit a real democratic contest for political power, fulfilling the promises of democratic pluralism that they have made (and broken) so often before.
- o **Middle East Peace Process:** The Administration is supporting the Middle East parties in efforts to launch a peace process. Our approach is based on the concept of Palestinian elections in the occupied territories, which we believe can be a step toward a comprehensive peace settlement that assures Israel's security and the legitimate political rights of the Palestinians.
- o **Initiative on Third World Debt:** The President's initiative to strengthen the international strategy on Third World debt has already received broad support from both industrial and developing countries. The approach is designed to promote sustained growth in developing countries by:

- Emphasizing sound market-oriented economic policies in debtor countries, particularly measure to promote investment and repatriation of flight capital;
  - Increasing the focus on debt and debt service reduction to complement new lending by commercial banks;
  - Using resources from the World Bank and IMF to catalyze voluntary debt and debt service reduction by the commercial banks.
- o **GATT:** In the Uruguay Round of GATT trade negotiations, progress has been made toward a multilateral agreement reducing trade barriers to exports.
  - o **Bilateral Meetings:** The President has met with a total of XXX foreign leaders while in office, including 18 bilateral meetings during the trip to Emperor Hirohito's funeral, XX during the NATO Summit, and XX on the trip to Poland, Hungary, the Netherlands, and the Economic Summit.

### INVESTING IN OUR FUTURE

#### EDUCATION

The President's actions to improve education are guided by **four key principles:** that **excellence** and success in education should be recognized and rewarded; that federal funding should be targeted to those who **need** it most; that **choice and flexibility** -

- for educators, parents and students -- are important to educational reform and to achieving excellence; and finally, that greater **accountability** is needed in the education system to assure that students are actually receiving the highest quality education.

ACTION BY THE ADMINISTRATION:

- o The President proposed and sent to the Congress a comprehensive education package, **The Educational Excellence Act of 1989**, which includes seven initiatives:
  - **The Presidential Merit Schools program** -- to reward schools that have made substantial progress in raising students' educational achievement, creating a safe and drug-free school environment, and reducing the drop-out rate.
  - **A new Magnet Schools of Excellence program** -- to support the establishment, expansion or enhancement of magnet schools, increasing parental choice and improving quality education.
  - **The Alternative Certification of Teachers and Principals program** -- to assist States interested in broadening the pool of talent from which to recruit teachers and principals.

- **President's Awards for Excellence in Education** -- to be awarded to public and private school teachers in every state who meet the highest standards of excellence.
- **Drug-free Schools Urban Emergency Grants** -- to provide special assistance to selected urban school districts that are disproportionately affected by drug trafficking and abuse.
- **A National Science Scholars program** -- to provide college scholarships to high school seniors who have excelled in the sciences and mathematics.
- **Additional Funding Authorization for Endowment Matching Grants at Historically Black Colleges and Universities** --  
to strengthen HBCUs by building endowments, an especially effective way to create financial strength and long-term security.

#### THE ENVIRONMENT

President Bush, a long-time environmentalist, has taken strong action to protect the environment. He is working shoulder-to-shoulder with Interior Secretary Lujan, Energy Secretary Watkins, and EPA Administrator Reilly on a number of fronts.

ACTION BY THE ADMINISTRATION:

- o **Natural Gas Decontrol:** On July 26, the President signed into law the **Wellhead Decontrol Act of 1989**, which ends all remaining price controls on natural gas. This will phase out all federal price controls on natural gas *by Jan. 1, 1993.*
- o **Clean Air legislation:** President Bush transmitted to the ~~the~~ Congress a sweeping program to ensure clean air for all Americans. The President's plan, transmitted to Congress on July 21, 1989, calls for the first revisions to the Clean Air Act since 1977 and is designed to curb three major threats to the nation's environment: acid rain, urban air pollution, and toxic air emissions.
  - **Acid Rain:** Sulfur dioxide emissions that cause acid rain will be cut in half, by ten million tons, and nitrogen oxide levels cut by two million tons -- by the end of this century. Companies will be allowed to trade credits among themselves for reductions they make, so that they can decide how to bring aggregate emissions down as cost-effectively as possible.
  - **Urban Air Pollution:** By employing a mix of federal measures and state initiatives, this legislation will sharply cut air pollution in our cities. The federal measures alone will cut hydrocarbon emissions -- which contribute to urban ozone -- virtually in half.

Currently, 81 cities don't meet Federal air quality standards. This legislation will bring clean air to all but 25 cities by 1995 -- and within 20 years, <sup>all cities not meeting the standards, including</sup> ~~even to~~ Los Angeles, Houston and New York.

In the nine urban areas with the greatest smog problems, smog will be cut through alternative fuels and clean-fueled vehicles. The President is calling for the phased-in introduction of a half a million clean-fueled vehicles in 1995, building up to a million in 1997, through 2007.

To the maximum extent feasible, automobile and fuel companies will be allowed to trade reduction credits among themselves.

-- **Toxic Air Emissions:** All categories of airborne toxic chemicals should be cut by 75 percent by the year 2000. In its first phase, this initiative should eliminate about three-quarters of the needless deaths from cancer that are suspected to have been caused by toxic industrial air emissions.

Until now, because of an unworkable law, the EPA has been able to regulate only seven of the 280 known air toxics. These reforms will allow EPA to do its job better, and will apply the most advanced industrial technology available to control these airborne poisons. The legislation promises certifiable progress in

regulating sources of toxic air emissions on a set schedule.

- o **Alaskan oil spill:** A Cabinet-level team was sent to assess the Alaskan oil spill, and a joint federal-state resource recovery team was convened. The National Transportation Safety Board is investigating the accident itself. Exxon has accepted responsibility for paying for the cleanup, and for employing local civilian personnel necessary to control further damage. EPA Administrator Reilly is coordinating the long-range planning to restore the environment of Prince William Sound, and the President has ordered a review of existing contingency plans for accidents such as this.
  - The President has set up a special task force to address environmental concerns about oil and gas drilling off the coasts of California and Florida.
  - The Administration transmitted to ~~the~~ Congress a comprehensive oil spill liability bill, to XXX (call Transportation)
  
- o **Cleaning up hazardous wastes:** The President announced he will be seeking new legislation to give the United States Government authority to ban all exports of hazardous waste except where an agreement exists with the receiving country providing for the safe handling and management of those wastes.

- o Also, Secretary of Energy Watkins has put forth a plan of action to identify and prioritize clean up of defense and civilian radioactive waste.
  
- o **Superfund:** The President is reinvigorating the Superfund hazardous waste clean-up program by directing EPA to take a number of actions, including more aggressive action to force private parties to clean up sites, stepped-up cost recovery, and better use of existing emergency cleanup authorities. EPA is also now finishing a priority review of Superfund to improve its operation.
  
- o **Ozone depletion:** The President has called for a total worldwide phaseout of CFCs by the year 2000, provided safe substitutes are available, in order to prevent further damage to the earth's protective ozone layer.
  
- o **Clean water and coastlines:** The EPA has started a tracking system for medical wastes and the Justice Department has started a task force to prosecute these abuses -- the first step in a comprehensive program to help keep our beaches clean. The President is committed to end ocean dumping of sewage sludge by 1991.

- o **Wetlands:** The President is committed to "no net loss of wetlands" and is directing his agencies to work toward that goal. He has also proposed \$206 million in his budget to expand our parks and wildlife refuges.

#### COMBATTING VIOLENT CRIME

The President is working to strengthen the nation's criminal justice system and the Federal, state, and local law enforcement partnership.

Four principles underlie the goals of our criminal justice system and the means for accomplishing them: First, to protect citizens and their property; to hold those who commit violent crimes accountable for their actions; to have as the objective of our criminal justice system the swift and certain apprehension, prosecution and incarceration of those who break the law; and finally, to ensure a sustained, cooperative effort by Federal, State and local law enforcement authorities.

#### ACTION BY THE ADMINISTRATION:

- o On May 15, 1989, President Bush transmitted to Congress **The Comprehensive Crime Control Act of 1989** to combat violent crime. Elements of the legislation include:

- ✓
- **Strengthening Current Laws:** The President is calling on Congress to double the mandatory minimum penalties -- from five years to ten years in Federal prison -- for the use of semi-automatic weapons in violent crimes or drug felonies.

In addition, the Attorney General has been directed to advise America's prosecutors to end plea bargaining for violent Federal firearms offenses.

President Bush called on Congress to enact the steps necessary to implement the death penalty for the most serious Federal crimes, and urged state Governors to match these Federal initiatives -- new mandatory sentencing, tougher rules on plea bargaining, and implementing the death penalty -- in the States.

- **Controlling Certain Semi-Automatic Weapons:** The President also announced that the Administration has made permanent the temporary suspension on the importation of any semi-automatic weapons which fail to meet the criteria specified in the Gun Control Act of 1968; he also called for the closing of loopholes which allow access to such guns by certain classes of criminals. The President introduced legislation prohibiting the importation, manufacture, sale or transfer of gun magazines of more than 15 rounds.
- **Augmenting Enforcement:** The President has directed the Attorney General and the Treasury Secretary, working

together with state and local authorities, to launch a comprehensive, coordinated offensive against America's most violent criminals.

President Bush requested funding for hiring 825 new Federal agents and staff -- 375 at the Bureau of Alcohol, Tobacco and Firearms; 300 at the FBI; and 150 Deputy U.S. Marshals. This offensive, including State and local enforcement authorities, will target violent criminals and repeat offenders.

- **Enhancing Prosecution:** The President proposed increased funds for the U.S. Attorneys Offices to support 1,600 new prosecutors and staff, and increased funds for the Justice Department Criminal Division to support 168 new positions, to handle drug cases, weapons offenses and other priority matters.
- **Expanding Prison Capacity:** The President proposed an additional \$1 billion for Federal prison construction, bringing the total FY 1990 budget to over \$1.5 billion. This will add 24,000 new Federal prison beds to the current 31,000 beds, an increase of nearly 80%.

#### FIGHTING DRUG ABUSE

We have begun a new war on drugs in this country. The President believes a four-pronged approach is key: **education, rehabilitation, interdiction and enforcement.** The policy of

this Administration is "zero tolerance." No amount of illegal drug use is acceptable. This means dealing with both supply and demand.

ACTION BY THE ADMINISTRATION:

- o **Budget:** The Administration is requesting \$6 billion in funding for FY 1990 to fight the drug war, increasing outlays by nearly \$1 billion for drug education, treatment and enforcement.
- o **Education:** The Administration is requesting nearly \$1.1 billion for education and prevention efforts. This is a 16 percent increase over 1989, and includes funding for ongoing programs and new initiatives.
- o **Rehabilitation:** Funding for drug abuse treatment will be increased 18 percent. The Administration is proposing over \$700 million to expand the nation's capacity to provide treatment, particularly to the indigent, disadvantaged, youth, and expectant mothers.
- o **Interdiction and enforcement:** The Administration is proposing over \$4.1 billion for law enforcement programs in 1990, a 10 percent increase over 1989. This constitutes about 70 percent of President Bush's proposed drug budget.

Substantial increases are requested in funding to strengthen inspection, interdiction, intelligence efforts and crop eradication programs, such as Operation Polar Cap, a federally led effort which broke up a \$1.2 billion drug money-laundering operation. The President strongly supports the death penalty for drug kingpins who commit drug-related murders, and will appoint judges who will strongly enforce the drug penalty laws.

- o **Public housing:** The Bush Administration is working to make public housing drug free, to protect the rights of the vast majority of decent, law-abiding public housing residents. The Department of Housing and Urban Development has acted:
  - To modify its lease and grievance procedures to facilitate eviction of those involved in drug related criminal activity;
  - To make drug use and trafficking a lease violation subject to eviction proceedings;
  - To target federal assistance to anti-drug security measures;
  - To revoke federal housing subsidies from those dealing in drugs;
  - To involve the private and voluntary sectors in efforts to rid public housing of drugs and give residents, especially young people, a stake in their communities and their futures.

- o In addition, the Office of National Drug Control Policy has responded to the drug emergency in the District of Columbia by expanding the Metropolitan Area Task Force, working for more prisons, providing FBI support in enforcement, and providing the assistance of the National Institute on Drug Abuse to local treatment efforts. The Department of Education will provide the District with 50 percent more funds for drug prevention programs in city schools. The Department of Labor will provide support for employee assistance programs and work with the business community to increase job training for youth.

WORKING FOR A KINDER, GENTLER AMERICA

CHILD CARE

The changing nature of American society heightens the need for quality, affordable, accessible child care. President Bush wants to put **choice** in the hands of parents so that they -- not government -- have the power to select the best and safest environment for their children.

ACTION BY THE ADMINISTRATION:

- o **Child care:** The President ~~has~~ transmitted to ~~the~~ Congress a child care package, the **Working Family Child Care Assistance Act of 1989**, which:
  - Provides a new refundable child care tax credit of up to \$1000 per child under four, for low and moderate income working families.
  - Makes the existing Child and Dependent Care Tax Credit refundable.
  - Does not discriminate against religious- and family-based child care.
  
- o The President has directed Secretary of Labor Dole to study the market for liability insurance to determine if liability issues impair child care.
  
- o **Head start:** The President ~~has~~ also transmitted legislation to ~~the~~ Congress which would increase the FY 1990 authorization for Head Start by \$250 million; this will pay for enrollment of up to 95,000 more four-year-olds in the program.

Starts

NATIONAL SERVICE

The President's strategy for overcoming the disintegration of communities across America -- not through a federal government program, but a nationwide service movement -- has three facets: First, to issue a call to action; second, to identify, enlarge and recreate what is working; and third, to discover and encourage new leaders.

ACTION BY THE ADMINISTRATION:o **The Call to Action:**

- President Bush called on **all Americans and all American institutions**, large and small, to make service of central value in their daily life and work;
- **All heads of business and professional firms** to include community service among the factors considered in making hiring, compensation and promotion decisions;
- **Newspapers, magazines, radio and television stations, cable systems, and other media institutions** to identify service opportunities, spotlight successful service initiatives and profile outstanding community leaders regularly;
- **All state and local education boards** to uphold the value of service and to encourage students, faculty and personnel to serve others;

- **College and university presidents** to recognize the value of community service in considering applicants, and to encourage and uphold the value of community service;
  - and **not-for-profit service organizations** to build the capacity to absorb increasing numbers of volunteers in purposeful roles.
- o **Identifying, Enlarging, and Recreating What is Working:** The President announced the formation of a foundation called the **Points of Light Initiative**, of which he will serve as Honorary Chairman. Formed to identify and build upon what is working, the Foundation will be a magnet for the best ideas and brightest programs in community service. The Administration will ask Congress for \$25 million annually to support this Initiative, which will, in turn, seek matching funds from the private sector. The President has also encouraged all governors and mayors nationwide to join the movement by forming State and local Points of Light working groups composed of outstanding leaders.
- Through a Foundation initiative called the **ServNet Project**, professional firms, corporations, unions, schools, religious, civic and not-for-profit groups will be asked to donate the services of some of their most talented and promising people for a period of time. Peer-to-peer working groups will be formed to

bring examples of successful initiatives and providing training, technical assistance and other support to enable other institutions to devise similar initiatives.

- Another Foundation initiative, the **ServLink Project**, will help improve existing methods of matching would-be volunteers with purposeful service opportunities. ServLink will stimulate the development through private sector resources of "technology links" between those who wish to serve and those needing service in the inquirer's own community.
- The Foundation will also recognize successful community initiatives and outstanding leaders through two new Presidential Awards:
  - The **National Service Youth Leadership Awards** will be given each year to individuals.
  - The **President's Build a Community Awards** will honor those people and institutions who have worked together to rebuild families or to revitalize communities.

WELFARE REFORM

The Administration has developed a major new education and job training program to help recipients of Aid to Families with Dependent Children move off welfare and become economically self-sufficient.

ACTION BY THE ADMINISTRATION:

- o **Welfare reform:** The Administration issued proposed rules on April 18 to implement the major provisions of the Family Support Act of 1988. The proposed rules are designed to:
  - Target job training assistance to those who are most likely to benefit and who are most at risk for long-term welfare dependency.
  - Provide maximum level of flexibility to AFDC parents in obtaining the type of child care that best suits their needs, consistent with the Administration's legislative proposals on child care.
  
- o **JOBS Program:** The Administration is proposing to spend \$3.3 billion over the next five years implementing the JOBS program. The changes will pay benefits in the future by reducing the number of individuals on welfare. It is estimated that 138,000 families will be able to leave

welfare rolls over the next five years as a result of this program.

#### EXPANSION OF MEDICAID

The Administration is committed to health care for the disadvantaged, calling for full funding of Medicaid, \$37.6 billion for FY 1990, an increase of \$3.3 billion, or 9.6 percent over the FY 1989 level.

#### ACTION BY THE ADMINISTRATION:

- o **Expanding Medicaid:** On April 18, the Administration forwarded to Congress proposed legislation to make federal programs better serve pregnant women, infants and children. The legislation would expand the population Medicaid serves, making Medicaid available to 1.9 million more women when they became pregnant. The legislation would:
  - Increase by 374,000 the number of pregnant women and children eligible for Medicaid.
  - Foster greater participation in Medicaid by eligible pregnant women by providing services to pregnant women who are presumed eligible for Medicaid before a formal eligibility determination is made; and by requiring States to operate outreach programs in areas of high infant mortality.

- Entitle all children under age 6 who are receiving Food Stamps to Medicaid coverage for immunizations.
- Make the Federal match rate for State administration expenses a uniform 50 percent by gradually reducing special administrative match rates ranging from 75 to 100 percent. The savings that would result would allow the legislative eligibility changes proposed by the President to be implemented within the current program's spending level.

#### HOUSING/HOMELESSNESS

President Bush has taken a number of steps to create an "opportunity society" of jobs, growth, housing and hope for Americans in need of a helping hand.

#### ACTION BY THE ADMINISTRATION:

- o **Homelessness:** ((In his FY 1990 budget)), the President has proposed to provide over \$1 billion in federal resources to help end homelessness and pave the way to jobs, permanent housing, health care and human dignity. President Bush's proposal calls for fully funding the McKinney Homeless Assistance Act and for a new \$50 million matching grant

program to promote public/private partnerships to assist homeless families and the mentally ill.

- o **Enterprise zones:** President Bush has called for enactment of enterprise zone legislation, to give urban and rural areas the opportunity for jobs and hope for the future. President Bush asked Congress to enact labor and capital-based incentives to create jobs and entrepreneurial activity in our most distressed communities.
  
- o **Affordable housing:** President Bush is committed to making housing more affordable for low-income families, and to provide homeownership opportunities to the disadvantaged and to young families. President Bush proposes to assist 109,000 new families in need of low-income housing, and has pledged to maintain assistance to those families already being helped. President Bush has also signalled his commitment to helping poor residents in public housing to become homeowners through resident management and ownership programs.

#### ETHICS AND CIVIL RIGHTS

High ethical standards and civil rights for all Americans are central to this Administration, and we will enforce them --

strictly, comprehensively, fairly, and to the letter and spirit of the law.

ACTION BY THE ADMINISTRATION:

- o **Campaign Finance Reform:** The President's comprehensive campaign finance proposal is designed to lessen the power of special economic interests and restore competition to American Congressional elections. The package, which seeks to increase the role of individuals and political parties in the electoral process, has four facets:
  - **Eliminating political action committees (PACs)** supported by corporations, unions or trade associations, and prohibiting such entities from paying for the overhead or administrative costs of any independent PAC.
  - **Strengthening political parties by increasing the amounts they can spend on behalf of congressional candidates.** This source of funds would permit legislators to spend less time fundraising, would ensure that challengers have greater resources with which to challenge incumbents, and would further limit the role of special economic interests in elections.
  - **Addressing the problem of the "permanent Congress" by reforms designed to reduce the unwarranted advantages of incumbency.** Specifically, the proposals would

prohibit the personal use of excess campaign funds, drastically reduce Congressional mailings under the frank, ban the rollover of campaign funds from one election cycle to the next, and legislate fair neutral criteria for the redistricting of Congressional and legislative lines that will follow the 1990 census.

-- Fully disclosing all soft money spent by the political parties and all labor unions, corporations and trade associations to influence a federal election.

o **Ethics:** The President issued an Executive Order creating the President's Commission on Federal Ethics Law Reform. On March 9, the Commission filed its report and its recommendations to the President. Legislation was sent April 12~~th~~ to the Congress, and the President issued an Executive Order announcing ethical principles for the conduct of executive branch employees. The President's proposals include:

- A ban on outside earned income for non-career Presidential appointees in the executive branch, including all employees in the immediate White House Office.
- Expanded financial disclosure for all three branches of government.

- **Prohibition of the conversion of political contributions for personal or office use.**
- **Deferral of tax liability when an individual is required by his or her agency to divest assets in order to avoid conflicts of interest.**
- **Strengthened rules against abusing the revolving door for private gain at the expense of the public trust.**  
These rules also apply to the legislative branch.
- **A 25 percent pay raise for federal judges was proposed in separate legislation submitted April 12, while the ethics reform legislation restricts their acceptance of honoraria. President Bush believes that honoraria for Members of Congress should be banned; however, the President will not formalize that proposal until after he consults with Congress on that issue and their pay raise. He will include in that discussion the question of a pay increase for certain executive branch positions.**
- **The extension of the Independent Counsel statute to cover ~~the~~ Congress.**
- **The extension of the federal statute that prohibits employees from taking actions that enhance their own financial interest to cover legislative and judicial branch employees.**

- The establishment of an independent ethics office for ~~the~~ Congress, to be headed by a clearly nonpartisan official, confirmed by both houses.
  - The application of the existing one-year post-employment "cooling-off" period for senior executive-branch employees to the legislative and judicial branches.
- o **Whistleblower protection:** The President supports public servants who revere the trust placed in them by the American people. On April 10, the President signed S. 20, the "Whistleblower Protection Act of 1989." This law will strengthen the protections and procedural rights available to those federal employees who report misdeeds and mismanagement.
- This new law will enhance the authority of the Office of Special Counsel, and whistleblowers will also now be allowed to take their cases to the Merit Systems Protection Board.
  - The statute alters the legal burdens of proof, making it easier for employees to be vindicated when they are wrongfully penalized by their supervisors for whistleblowing activities.

o **Civil rights:** The Administration has taken a number of actions to protect the civil rights of all Americans, including several court actions in key civil rights cases.

-- On March 8, the Department of Justice endorsed the objectives of the Hate Crimes Bill, ~~and voiced no opposition to the bill's enactment.~~ The ~~Hate Crimes~~ Bill provides for the collection of data about crimes motivated by race, religion, ethnicity or sexual orientation.

-- On March 13, Attorney General Thornburgh announced the filing of Federal housing discrimination lawsuits seeking monetary damages and civil penalties under the expanded enforcement authority of the Fair Housing Amendments Act of 1988.

ADA?

###

THE STOCK MARKET: TIME TO GET OUT?

# U.S. News & WORLD REPORT

AUGUST 21, 1989

\$1.95

# SECRETS OF THE SEA

New light on the mysteries of the deep

Scientists vs. salvagers: The fight over shipwrecks





**Come to where the flavor is.**

**SURGEON GENERAL'S WARNING: Smoking By Pregnant Women May Result in Fetal Injury, Premature Birth, And Low Birth Weight.**

17 mg "tar," 1.1 mg nicotine  
av. per cigarette by FTC method.

© Philip Morris Inc. 1989

**“It took all we had to buy this farm. Takes even more to keep it.”**

**Dave Lollis, Central Appalachian People's Federal Credit Union.**  
“You look at our membership and you see an average income of maybe \$8000 a year.”

**Jimmy and Ina Taylor, Credit Union members.**

*“We raise tobacco, goats, some sorghum — even use Belgian horses to pull the plow. And we both have outside jobs.”*

**Dave:** “The finance companies here can charge people 36%. And the banks just aren't interested.”

**Ina:** *“The Credit Union made me a loan for an '81 Bonneville. I need a car to get to work, but the banks wouldn't lend on anything older than an '83.”*

**Dave:** “The average amount of our loans isn't too big. But they come at crisis points.”

**Jimmy:** *“When our cash crop check didn't come on time, the credit union helped us hold on. That's the credit union difference. There's nobody else we could go to and get help like that.”*

Credit Union members like Jimmy and Ina Taylor are protected with insurance from the CUNA Mutual Insurance Group.



**CUNA MUTUAL INSURANCE GROUP**

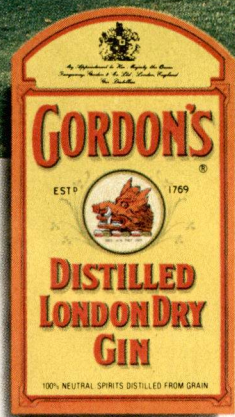
WE TAKE CARE OF OUR OWN.

# ENGLAND

KNOWN FOR ITS TEE PARTIES.



MOOR PARK GOLF CLUB, HERTFORDSHIRE.



AND ITS GIN.



THE GIN OF ENGLAND. AND THE WORLD.

# GORDON'S<sup>®</sup>

PRODUCED IN U.S.A. ACCORDING TO THE FORMULA OF ALEXANDER GORDON AND COMPANY, LONDON, ENGLAND.  
100% NEUTRAL SPIRITS DISTILLED FROM GRAIN. 40% ALC/VOL (80 PROOF). THE DISTILLERS COMPANY, PLAINFIELD, ILL. AND UNION CITY, CA © 1989.

4 **Letters** to the Editor

**CURRENTS**

10 **One Week**

13 Embryos on trial ■ Who's a family? ■ Airline buyouts ■ The poets' war ■ Baby Bell revolt ■ Why college costs so much

20 **Washington Whispers**

**U.S. NEWS**

22 The drug-money hunt. Narcotics warriors target laundered cash

26 Two appointments affirm the color-blind, gender-blind age in the U.S. military

27 **Commentary:** Beware of bad deals at the hostage-trading bazaar

29 Another Chicago as the last city political machine in America

31 **Tomorrow:** Dueling commissions plot health care into the next century

**WORLD REPORT**

32 The bright lights fade in China's big city as Shanghai copes with the crackdown

36 Will the last one to go please turn out the lights? Hong Kong looks for lifeboats

38 Brother against brother: The internecine war in the West Bank and Gaza

39 **Worldgram:** Kaifu's future; Honeymoon with Mexico? A new New Zealand?



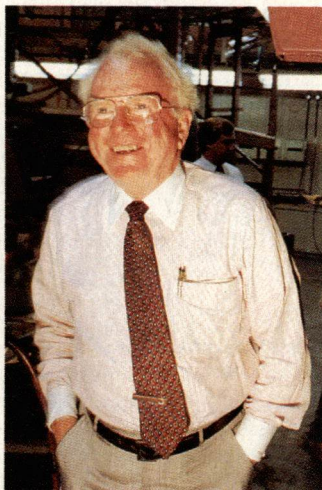
STEVE MACDONALD FOR US&WR

22 **Drug money: Halting its flow in America**



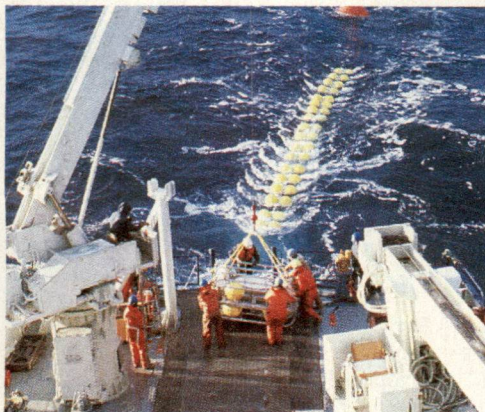
HIRSHI KUBOTA—MAGNUM

32 **Shopping for stability in Shanghai?**



KEVIN HORNAN FOR US&WR

40 **Roger Smith retires from GM's helm**



BRUCE CORNITTE—SCRIPPS INSTITUTION OF OCEANOGRAPHY

48 **Probing the deep with technology**

**BUSINESS**

40 Giant General Motors tries to reinvent the wheel

43 Ins and outs on America's trade list. Made in U.S.A. finds new cachet overseas

47 **Economic Outlook:** Can Marxist economies make it to market?

**HORIZONS**

**COVER**

48 Using satellites, lasers and remote-control subs, researchers are penetrating the mysteries of the oceans. Also, ocean pollution and the controversy over salvaging wrecks

56 John Leo on criminals who get the breaks

**NEWS YOU CAN USE**

59 **Eye on Wall Street:** The Dorfman story

60 Investing: Is it time, once again, to bail out of the market?

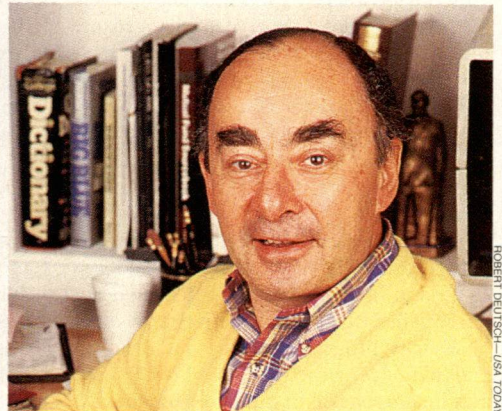
63 Sports: A wardrobe of accessories for the fashionable cyclist

64 Television: New kids' shows

66 **Vital Statistics**

67 **News You Can Use:** Computers in schools; cheaper hotel rates, and more

68 **Editorial:** The Lost Generation



ROBERT DEUTSCH—USA TODAY

59 **Eye on Wall Street and Dan Dorfman**

COVER: Photo by David Doubilet

Copyright © 1989, by U.S. News & World Report, Inc. All rights reserved. U.S. News & World Report (ISSN 0041-5537) is published weekly, except for one combined issue mailed in August and a second combined issue mailed in December, \$39.75 per year, by U.S. News & World Report, Inc., 2400 N Street, N.W., Washington, D.C. 20037-1196. Second Class postage paid at Washington, D.C., and at additional mailing offices. POSTMASTERS: Send address changes to U.S. News & World Report, P.O. Box 55929, Boulder, Colo. 80322-5929. U.S. NEWS & WORLD REPORT® WORLD REPORT™ NEWS YOU CAN USE® WORLDGRAM® WASHINGTON WHISPERS® TOMORROW® Printed in the U.S.A.

**EDITORIAL AND CORPORATE OFFICES**

2400 N Street, N.W., Washington, DC 20037-1196, 202-955-2000

**ADVERTISING OFFICES**

599 Lexington Avenue, Suite 1200, New York, NY 10022-6004, 212-326-5300

**SUBSCRIPTION DEPARTMENT**

Post Office Box 55929, Boulder, CO 80322-5929

To order U.S. News, to change an address, or for subscription questions, write to the Subscription Department, P.O. Box 55929, Boulder, CO 80322-5929, or call 1-800-234-2450 (in Colorado, 1-800-447-9330)

# LETTERS

## TO THE EDITOR

**Nuclear hideaways:** "Continuity of government" sounds more like "condos in the ground" for our leaders ["America's Domsday Project," Cover, August 7]. The billion-dollar project smacks of an expensive way for 1,000 military and political leaders to save themselves during a nuclear attack while the masses who paid for their safekeeping get slaughtered. We citizens expect our leaders to prevent a nuclear attack. Should it occur, I doubt that many survivors will be looking kindly at those who couldn't prevent such a catastrophe in the first place, much less looking to them for continuity.

*Thomas A. Vaughan  
Richmond, Va.*

■ I find it mind-boggling that we spend billions of taxpayers' dollars to provide safe haven for those who will have just led us into a nuclear war. Maybe the prospect of nuclear war would be much less likely if these "key officials" had to sit it out with the rest of us. As I see it, the Domsday Project is the ultimate in insulation from the ultimate accountability. Unbelievable!

*Jonathan Dyer  
Napa, Calif.*

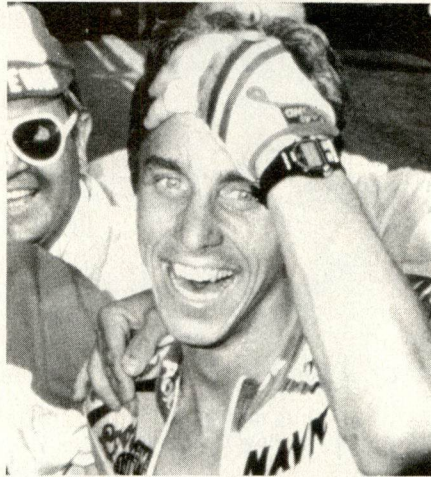
■ As you pointed out, U.S. plans for assuring continuity of government in the event of a nuclear attack are dubious. In contrast, a vast Soviet underground network of bunkers stands ready to protect about 175,000 leaders. A large percentage of Soviet citizens also have access to shelters against blast, radiation, chemicals and biological weapons. Unfortunately, most Americans don't even know that their lives could be saved by inexpensive shelters. There's no way that "everybody's going to make it." But don't Americans deserve a fighting chance? Our neglect of population-protection measures (civil defense) is a national disgrace.

*Jane M. Orient, M.D.  
Doctors for Disaster Preparedness  
Tucson*

■ I thought your story was going to be an exciting account of how well we are prepared for a nuclear attack. Instead, I am enlightened with terrifying facts of fraud, cover-up and inadequate contract oversight. I am appalled that the most important national-security program is being compromised and that once again there is no limit to greed and incompetence in our government.

*David Romano  
New York City*

**Controlling destiny:** Using Greg LeMond's winning of the Tour de France to try to illustrate the timeworn loser's excuse, "He was luckier than I" ["What Remains Beyond Our Power to Control," One Week, August 7], is so far off the mark as to be



**Greg LeMond.** *Success against all odds*

laughable, except that it trivializes an astonishing demonstration of grit, determination and old-fashioned courage. You conveniently ignore factors such as his intelligent use of improved equipment that his competitors disdained but which contributed to his amazing 58-second winning margin in the crucial last-day, 27-kilometer time trial. LeMond is not just a lucky young man. He showed once again that you can succeed even when the odds are all against you.

*John Horst  
Fayston, Vt.*

■ While chance certainly plays a role in our race through life, it is within our power to control how we accept the challenge of embracing it. LeMond's performance in the Tour de France was achieved through the guts, faith and determination that awarded him the chance to win. And for those who drew inspiration from his struggle back from severe physical hardship to the top of his profession, LeMond clothed us all in a victor's yellow jersey that symbolizes the confidence to take a chance to succeed.

*Scott T. Leland  
Chicago*

**Catastrophic coverage:** "Congress's Health-Care Woes" [Economic Outlook, July 31] says that "retiree groups are lobbying Congress to stick the working population with the bill by raising taxes." That is not true. I am the "working population," and I would pay through the nose under the present plan while those who worked little or not at all would get a free ride. The 40 percent of us over 65 who worked and sacrificed

Address letters for publication to Letters Editor, U.S. News & World Report, 2400 N Street, N.W., Washington, D.C. 20037-1196. Send letters by fax to (202) 955-2685. Include full name, address and daytime phone number. Letters may be edited.

to provide for our own old age would pay for everyone, regardless of whether we wanted, needed or even had medicare. Aside from that, any plan that would provide everything to everyone regardless of effort is utopian, socialistic and contrary to the concepts upon which this country was built. If we drift down that slope, I guarantee that, in the end, no one will have anything.

*James L. Brewer  
Grant, Ala.*

■ Suppose an insurance salesman presents you with a policy and says you must buy it whether you want to or not. Wouldn't you throw him out? Suppose he tells you that your premium will be half again what the policy is worth so he can give a policy free to a needy person. When you ask him why you should be forced to pay someone else's premium, he says it's because that person is insured under the same policy but you have more money. Would you feel ripped off? Now you know why I'm hopping mad about the Medicare Catastrophic Coverage Act.

*Don Holding  
Venice, Fla.*

**Guerrilla traveling:** Is it not irresponsible for traveler George Brown to promote the kind of self-serving deceptions and lying he resorts to in attaining his objectives ["Flying Through Airline Loopholes," July 31]? Feigning a limp, lying to the taxi dispatcher, fooling the hotel doorman, etc., do little to promote ethics in travel. His use of deception illustrates the decay of morals and ethics impacting our lifestyles.

*George H. Gustafson  
Desert Hot Springs, Calif.*

■ I'll bet that Brown expects—nay, demands—perfect ethics from congressmen, business partners, competitors and people with whom he might do business. Then he throws his own ethics right out the window to get what he wants and suggests that the rest of us do the same. No wonder there are so many surly taxi drivers and overbooked flights. Thanks for nothing, Mr. Brown.

*George M. Gilkeson  
Denton, Tex.*

**Gay rights:** The only thing "obvious" about John Leo's definition of family is that it's myopic. He states in "Let's Try Discrimination for Once" [August 7] that "a family is one or both parents living with one or more minor children . . . an institution organized around nurturance of the young." Would it follow that a family ceases to be a family when its children reach the age of majority? Once again, the "obvious" is oblivious to the complexities of real-world situations that often fail to conform to our best attempts at cookie-cutter definitions. But excuse me if I

2. Mercedes
3. Honda
4. Toyota
5. Cadillac
6. Nissan
7. Subaru
8. Mazda
8. BMW
10. Buick
11. Plymouth
12. Audi
12. Volvo
14. Hyundai
15. Mercury

**IF BMW IS THE ULTIMATE DRIVING MACHINE,  
MERCEDES-BENZ IS ENGINEERED LIKE NO OTHER  
CAR IN THE WORLD AND VOLVO IS A CAR YOU CAN  
BELIEVE IN, WHAT DOES THAT MAKE ACURA?**

These days, it seems that nearly every luxury automaker has some sort of catchy slogan. They're all quite impressive. And yet, if Mercedes-Benz is engineered like no other car in the world, and Lincoln is really what a luxury car should be, how can BMW be the ultimate driving machine? Or Saabs be the most intelligent cars ever built?

Before you try to unravel all of these promises and claims, there's one more we'd like you to consider. A claim that's considerably more meaningful than all the others. And one that Acura has been able to make every year since it was introduced: number one in customer satisfaction.

For the third consecutive year, Acura owners have put their automobiles at the top of the list

## THE MOST SATISFYING CAR ON T

J.D. Power &

1990

CUSTOMER  
SATISFACTION

1. Acura

in the prestigious J.D. Power and Associates Customer Satisfaction Index survey.\*\* Which means that people who own an Acura are happier with the quality of their cars and the dealers who sell and service them than the owners of any other car, import or domestic, at any other price.

When you put your customers ahead of everything else, they do the same for you. Acura isn't just the most satisfying car in America; it's also the number one selling luxury import in America.

And those are the most eloquent statements we can make.

Call 1-800-TO-ACURA for more information about the Acura Legend and Integra and the name of the dealer nearest you.

**ACURA**

*Precision crafted performance.*

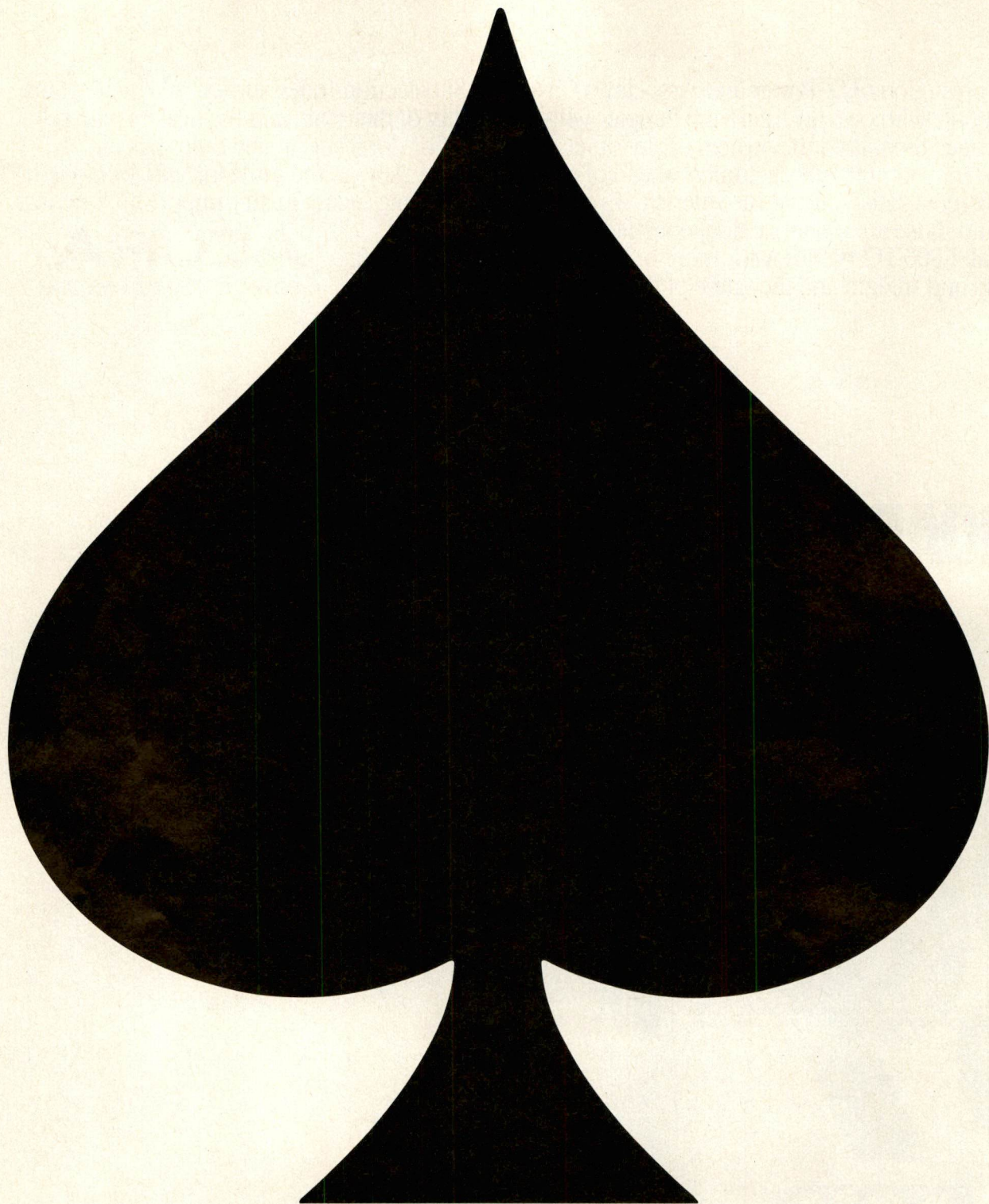
**THE ROAD, THREE YEARS IN A ROW.**

Associates

**89**

**OWNER**

**SAISFACIATION INDEX<sup>SM</sup>**



## We call this a spade.

As much as AT&T would like you to believe more and more people are coming back to them, they're not.

In fact, since 1983, AT&T's market share dropped from 91% to under 75%.

And no matter what they say, AT&T's rates are still higher than anyone else's. Up to 37% higher, in comparison to SPRINT PLUS.<sup>SM</sup> In fact,

US Sprint<sup>®</sup> guarantees you'll save a minimum of 24% versus AT&T during evening hours.\* And get similar savings on WATS, 800, FONCARD<sup>SM</sup> and Dial I services.

Maybe those are a few of the reasons why 2.3 million more people have switched to Sprint already this year.

So let's call a spade, a spade.

When AT&T says they're the right choice, maybe they're thinking of a time when there was no choice.

Those times have changed.  
**1-800-877-2000.**

 **US Sprint.**  
Talk With The Best.<sup>SM</sup>

Founder: David Lawrence 1888-1973

**Chairman and Editor-in-Chief**

Mortimer B. Zuckerman

**Editor**

Roger Rosenblatt

**Executive Editor** Michael Ruby

**Managing Editors**

Peter W. Bernstein, Christopher Ma

**Editor, Special Reports** Mel Elfin

**Director of Editorial Administration** Kathryn A. Bushkin

**Art Director** Rob Covey

**Photography Director** Mark Godfrey

**Assistant Managing Editors**

Gerald Parshall, *Currents*; Harrison Patten, *U.S. News*

John Walcott, *World Report*; Mary Lord, *Business*

Stephen Budiansky, *Horizons*; Avery Comarow, *News You Can Use*

Gloria Berger, Brian Duffy, Jack Egan, Lew Lord, Gerson Yalowitz

**Senior Writers**

Michael Barone, John Leo, Merrill McLoughlin,

Thomas Moore, Steven V. Roberts, Lynn Rosellini

**Chief of Correspondents** Carey W. English

**Senior Editors:** William F. Alliman, Donald Baer, Betsy Bauer, Beth Brophy, Jerry Buckley, William J. Cook, Susan Dentzer, Steven Emerson, Andrea Gabor, Joseph L. Galloway, Ted Gest, Monroe W. Karmin, Michael Kiernan, Anne McGrath, Alvin P. Sanoff, Kenneth R. Sheets, Jeffery L. Sheler, Pamela Sherrid, James Wallace, Kenneth T. Walsh, David Whitman, Leonard Wiener, Clemens P. Work. **Chief Economist:** Robert J. Morse.

**Associate Editors:** Robert J. Ames, Don L. Boroughs, Shannon Brownlee, Joseph Carey, Betsy Carpenter, Peter Cary, Charles Fenyesi, Steve Findlay, Liz Galtney, Erica E. Goode, Stephen J. Hedges, Miriam Horn, Jim Impoco, Robert Kaylor, Art Levine, Louise Lief, Francesca Lunzer Kriz, Lisa J. Moore, Alicia Mundy, Andy Plattner, Eva Pomice, James Popkin, Peter Ross Range, Amy Saltzman, Michael Satchell, Joseph P. Shapiro, Joanne Silberner, Marc Silver, Douglas Stanglin, Vic Sussman, Ronald A. Taylor, Terri Thompson, Daniel P. Wiener, Gordon Witkin.

**Domestic Correspondents:** New York, Scott Minerbrook, Jeannye Thornton; Atlanta, Sandra R. Gregg; Chicago, Paul Glastriis; San Francisco, Peter Dworkin.

**Foreign Correspondents:** London, Robin Knight, European Senior Editor; Middle East, Richard Z. Chesnost, Senior Correspondent; Paris, David Lawday; Moscow, Jeff Trimble; Tokyo, Mike Sharp; Beijing, Dusko Doder; Latin America, Carla Anne Robbins (Miami).

**Special Correspondents:** Nicaragua, Mary Speck; Israel, David Makovsky; South Africa, Jim Jones; Kenya, Eric Ransdell; Philippines, Margot Cohen; Hong Kong, Simon Winchester; South Korea, Peter Maass; El Salvador, Douglas Farah; Brazil, Geri Smith; Tunisia, Jihan El-Tahri; Canada, Bernard Simon; Germany, Michael Farr; West Coast, Pamela Ellis-Simons. **News Bureau Coordinators:** J. Daniel Fein, Bill Wallack, Lillian F. Daniel.

**Contributing Editors:** Fouad Ajami, Harold Evans, James Fallows, Hersh Goodman, Josef Joffe, John Keegan, Emily MacFarquhar, Richard Perle, Edwin Taylor, Henry Trewhitt, Ben J. Wattenberg.

**RESEARCH**

**Director:** Elizabeth Mueller Gross. **Senior Economist:** Robert F. Black. **Reporter-Researchers:** Bruce B. Auster, Arny Bernstein, Sarah Burke, Lynn Anderson Carle, Sharon F. Golden, Marianna I. Knight, Nancy Linnon, Joannie M. Schrof, Jo Ann Tooley. **Graphics:** Johanna V. Boublik.

**NEWS DESK**

**Chief:** David E. Pollard. **General Editor:** Robert G. Smith. **Senior News Editors:** Edwin Albaugh, Al Ryan. **News Editors:** Elizabeth B. Brooke, Kenneth Campbell, Robert O. Grover, Susan Burlant Vavrick. **Research:** Kathleen Phillips, **Chief, Proof Desk:** Judith A. Shapleigh, **Chief, Rex Byron Bell.**

**OPERATIONS**

**Director:** Karen S. Chevalier. **Technology Manager:** Janie S. Price. **Production Manager:** Diane B. Snow. **Makeup Editor:** Harriet Westfall. **Composition Specialists:** Tim Byers, Donald B. Gatling, Patti N. McCracken, Cynthia A. Phelps. **Special Projects Coordinator:** Priscilla Totten. **News Assistants:** Myke Freeman, **Chief, Alexander S. Holt, Howard R. Sewell, Jr.**

**ART STAFF**

**Senior Art Directors:** Nanette M. Bisher, Wayne N. Fitzpatrick. **Graphics Director:** Jeff Glick. **Section Designers:** Socorro Q. Gonzalez, Janice Olson, Joan Strong. **Designers:** Richard Gage, Susan K. Langholz, David S. Merrill, Rebecca Pajak, Sarah Shaw, Gary Visgatis, Matt Zang. **Art Production Coordinator:** Sherri Roberts Lumpkin. **Production Assistant:** Leslie A. Garcia. **Graphics Lab:** Tony Brown. **Administrative Assistant:** Patricia J. Lute.

**PHOTO STAFF**

**Associate Director:** Winston Townsend. **Senior Editors:** Cotton R. Coulson, Cheryl A. Magazine. **Editors:** Richard Folkers, Carol McKay, Mary O'Grady. **Assistant Editors:** Marilyn Davids, Alice Gabriner, Shawn O'Sullivan. **Special Photo Editor, Paris:** Katherine Kay-Mouat. **Administrator:** Ann Roberts. **Picture Collection Editor:** Elizabeth Mullen. **Photo Librarian:** Robin J. Cook. **Research:** William V. Clark, Dianne M. Jacko, Alexandra Korab, Dolores Morrison, Lana Pelaez, Jeanne M. Rhodes. **Photographers:** Chick Harrity, **Chief, Eddie Adams, Charlie Archambault, Anna Clopet, Linda L. Creighton, Darryl Heikes, Kevin Horan, Bill Pierce, Scott Thode. Photo Lab:** Bill Auth, **Chief, Beth A. Haggerty, Charles Moroney, Charlene M. Spicer.**

**NEWS SERVICES**

**Editorial Business Manager:** Susan C. Riker. **Systems Manager:** Jane E. Kuppinger. **Administrative Editors:** Marybel L. Patrick, Cathy Roberts Sweeney, Mary Jean Hopkins, Lynne Edwards, Jane Meade, Ainsley A. Perrien, Leslie Carper, Marjorie McCagney. **Library:** Kathleen L. Trimble. **Director:** Kate Forsyth, **Assistant:** Jamie B. Russell. **New York Manager:** Rosa M. Atkinson, Anne Bradley, David L. Dennie, Judith A. Katzung, Gerson Martin, Nancy E. Miles, Leland Neville, Ernestine Pauley, William Rafferty, Yvette Reyes, Toni H. Ritucci, Karima Salehchar, Brent Short. **Interviews:** Ronald Wilson, **Administrator:** Cheryl D'Amico Drummond, **Assistant, Reader Service:** Susan J. LeClair, Yvonne Samuels, Nick Merlino.

**Editor at Large** David R. Gergen

**President and Chief Executive Officer**

Fred Drasner

William Harris, *Executive Vice President*

Alice Rogoff, *Senior Vice President—Finance*

Jake Winebaum, *Senior Vice President—Marketing*

David L. Heisel, *Vice President—Administration*

William E. Nussbaum, *Vice President—Manufacturing*

Hilleary G. Hoskinson, *Circulation Director*

Michael P. Presto, *Retail Marketing Director*

Michael J. Armstrong, *Manufacturing Planning Director*

Joseph G. NeCastro, *Finance Director*

Sharon R. Sullivan, *Ad Make-up Director*

Richard C. Thompson, *Senior Vice President—Publisher*

Walter Buchleitner, *Vice President—Ad Sales Director*

Thomas Evans, *Vice President—Ad Sales*

Gregory Osberg, *Vice President—Ad Sales*

Mark MacDonald, *Vice President—Ad Sales*

James MacEwen, *Vice President—Ad Sales*

Martin S. Bounds, *Promotion Director*

Deborah B. Farnham, *Research Director*

Charles J. Barrett, *Ad Planning Director*

don't attend my next family reunion—I'm going to a household reunion instead.

*Craig M. Sevens  
Seattle*

■ Leo's notions of what constitutes a family are as narrow as they are obsolete. Yes, feelings, commitment, love and bonding are what really make a family out of what he arrogantly dares to demean as a mere "household." Two gays or lesbians—raising kids or petunias—who have committed their lives to each other are more of a family unit than many "households" in America where there is no love or security for offspring. We demand, as citizens and taxpayers subsidizing the legal and governmental system of this country, equal standing as human beings and recognition of our family units.

*Richard Anthony Rivera  
Chicago*

**March of technology:** I disagree with the commentator quoted in "Beauty and the Beast" [One Week, July 31] that "no machine that beautiful [the B-2 bomber] should be allowed to die." Whatever else they are, modern warplanes are not things of beauty. The B-2 is ugly. The old P-38 was a thing of beauty, on the ground and in flight. Nothing since can match it. And at \$532 million a copy, the B-2 brings the cost of killing to a

high level of obscenity. The fact is that war is now obsolete. But the leaders of the great powers just don't know that yet.

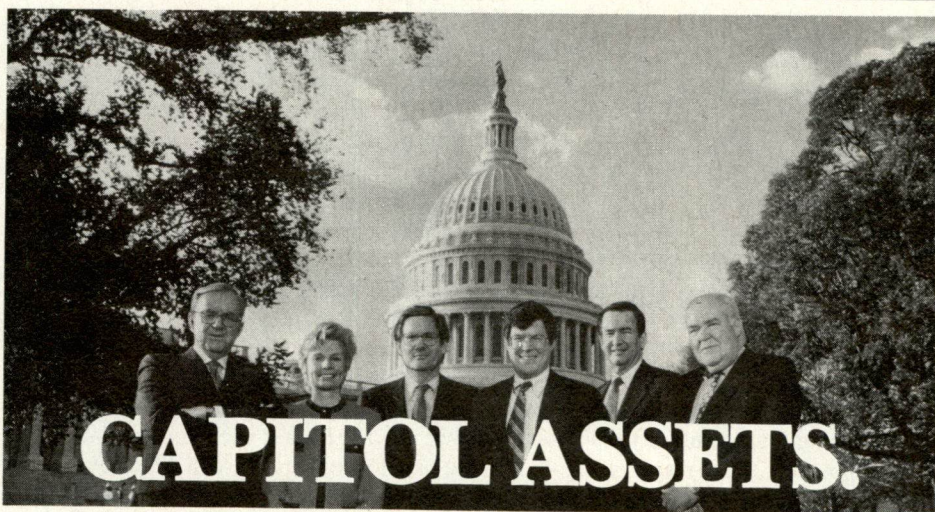
*Albert H. Dickey  
Jeffersonville, Ind.*

■ Neither patriotism nor economics is served by building a machine whose one virtue begs to be wiped out by relentless technology. Our weapons must be effective, but not with a sky-is-the-limit budget. If Uncle Sam were as responsible with his wallet as many of his citizens are with theirs, the U.S. would be in better military shape. The Stealth bomber is the Emperor's new clothes and deserves to be put away.

*Michael Driver  
San Francisco*

**Gals, too:** Though women are severely underrepresented, the 28 seats they do hold, or 5.2 percent of the 535 seats over all, in the 101st Congress are a record. Given this, certainly a more gender-neutral title was warranted for your article regarding congressional assistance for constituent problems than "Your Guy in Washington" [August 7]. Though you did mention Representative Helen Bentley and Senator Barbara Mikulski, I doubt they see themselves as guys.

*Prof. Kathryn A. Lee  
Spokane*



There's one news analysis program considered "can't miss" by Washington officials. The McLaughlin Group.

Among its chief assets are the wit and intellect of John McLaughlin, Eleanor Clift, Fred Barnes, Morton Kondracke, Pat Buchanan and Jack Germond.

They provide insightful, often prescient, political commentary on the most up-to-the-minute developments. Often with heated exchanges.

So tune in to The McLaughlin Group. It's comprehensive, contentious and... contagious.

Made possible by a grant from GE.



**THE MCLAUGHLIN GROUP**  
Check your local listing for station and time.

*We bring good things to life.*

# A nation of hostages where memory is a curse

**W**ho is left to die in Beirut? After 14 years of civil war, the city has become a dark jungle of blasted buildings and failed hopes. More than a million people, Moslems and Christians alike, have fled, many of them marching dusty, dangerous roads to the Israeli-dominated security zone in southern Lebanon. And yet the rival militias are still able to find victims—600 dead and 2,000 wounded during the last five months.

Who are these people, who survived for so long, and then finally got too close to a random artillery shell on a hot August night? Their names are lost, but their fate is clear: They are hostages to terror, as surely as Joseph Cicippio and the other Americans seized in Lebanon are hostages. We have become so numbed by the endless warfare that we barely hear the words on the news reports any more. They run together, a jumble of familiar but meaningless sounds: "There was shelling overnight in Beirut . . . six civilians were killed . . . a car bomb exploded. . . ." We might as well be listening to a weather or traffic report: "Forty percent chance of rain . . . the interstate highway is backed up. . . ."

*In Lebanon,  
that frail  
fabric of  
trust and  
consent, which  
makes law  
and politics  
possible, has  
been ripped to  
pieces'*

Like AIDS, the virulent disease that has poisoned Lebanon's bloodstream defies all known cures. Politics can solve some problems, but only if rival parties come to have faith in the political process itself, and in each other, even after years of combat. Their motives might be mixed—exhaustion, economic self-interest, outside pressure—but a measure of mutual confidence eventually is essential. In his book of memoirs, *In My Father's Court*, novelist Isaac Bashevis Singer recalls how his father, an orthodox rabbi in Warsaw, would preside over communal disputes. When a judgment had been rendered, all sides would grip the edge of a clean white handkerchief to signal their agreement.

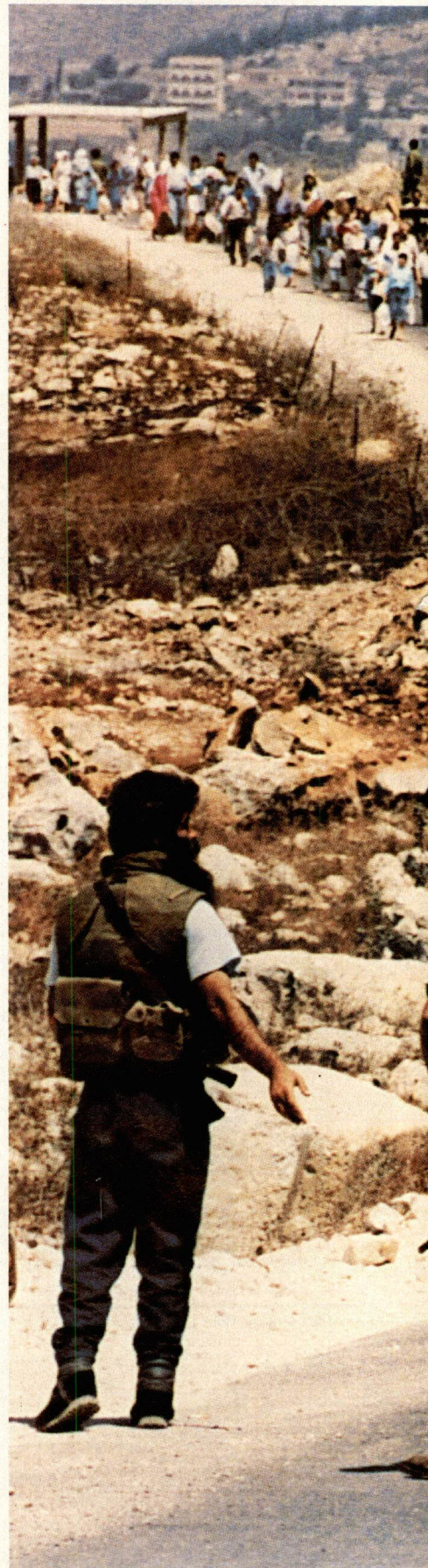
In Lebanon, that frail fabric of trust and consent, which makes law and politics possible, has been ripped to pieces. Rivals are defined not by political

disagreements but by ethnic and religious divisions. And those rivalries have been deepened immeasurably by the great curse of the Middle East, memory. Everyone remembers a past injustice and yearns for revenge. Lebanon was carved out of Syria during World War II, largely to provide a place where Christians could predominate, and they did for 30 years. But now Christians and Moslems, and their many subjects, fight not for a share of power, but for total power. American officials, searching for a solution to the hostage crisis, say the bazaar is open, negotiations are possible. But American negotiators are usually so inept in such situations because they expect others to be both rational and straightforward. As places like Cyprus and Northern Ireland demonstrate so painfully, normal ways of resolving conflicts are all but helpless in the face of tribal blood feuds.

And yet elsewhere, the political process shows signs of revival. Ronald Reagan was a modern-day Crusader, bent on ridding Nicaragua of the infidels. But neither George Bush nor the four elected Presidents of Central America view Managua as Jerusalem. "War is not the solution," insisted Oscar Arias of Costa Rica last week, in announcing an accord to disband the Contras. And elections in Nicaragua, scheduled for February, might actually produce some form of power sharing. In Poland, two splinter parties said they would open talks with Solidarity, aimed at ousting the newly elected Communist Prime Minister, Gen. Czeslaw Kiszczak.

But in Nicaragua and Poland, the combatants all belong to the same tribe, if not the same party. And slowly, very slowly, they are starting to grip the edges of the same handkerchief. In Lebanon, the rival chieftains would rather burn the handkerchief and keep a whole nation hostage.

by Steven V. Roberts ■



Driven by terror. Residents of Beirut flee the



loodletting that has turned their city into a jungle of blasted buildings and failed hopes. And yet, warring militias still find victims

# We're committed to building a car insurance system everyone can live with.

People in many areas of the country feel angry about the cost of car insurance these days. We couldn't agree more. At Allstate, it's been our history to do everything we can to hold the line on costs by attacking the source of what drives them up. In fact, we've done more of this than any other company in our field.

We started back in the early 50's, helping to make better drivers out of new drivers by supporting driver's ed as a standard high school course.

We created Tech-Cor Inc., a state-of-the-art research facility, which leads the way in the study of auto repair methods, theft prevention, and safer damage-resistant automobile designs. We've fought for better bumpers and continue to support the 5 m.p.h. bumper as the minimum standard for all cars. And in experience with our own fleet logging over 30 million miles, we've proven the value and reliability of air bags and safety belts. These efforts have led to cars that are now both cheaper to repair and safer to ride in.


Drunk drivers are involved in nearly 40% of all fatal traffic crashes. We want them off the road. And to that end we are working with such groups as M.A.D.D. and the National Commission Against Drunk Driving, and have chartered a program that asks people to act responsibly when drinking at sporting events.

We're also working with legislatures and law enforcement groups to stop insurance fraud and car theft. And we're helping the public understand what they can do to safeguard their cars against theft.

But there's more to be done. Today Allstate is working with other insurance companies, consumer groups and lawmakers to literally change the way the car insurance system works. The goal is to give you options for insuring your car that you don't have now. Options that should lower car insurance rates and maintain coverages for millions of people across the country.

Thanks to a lot of hard work, many new ideas are now coming into focus. We think they'll lead to a fair and lasting solution.

If you'd like more information about our ideas for making insurance more affordable, write to: Allstate Consumer Information Center, Public Issue Department 101, P.O. Box 7660, Mount Prospect, IL 60056-9961, and we'll send them along.

A member of the  
Sears Financial Network 

**Allstate**<sup>®</sup>  
You're in good hands.

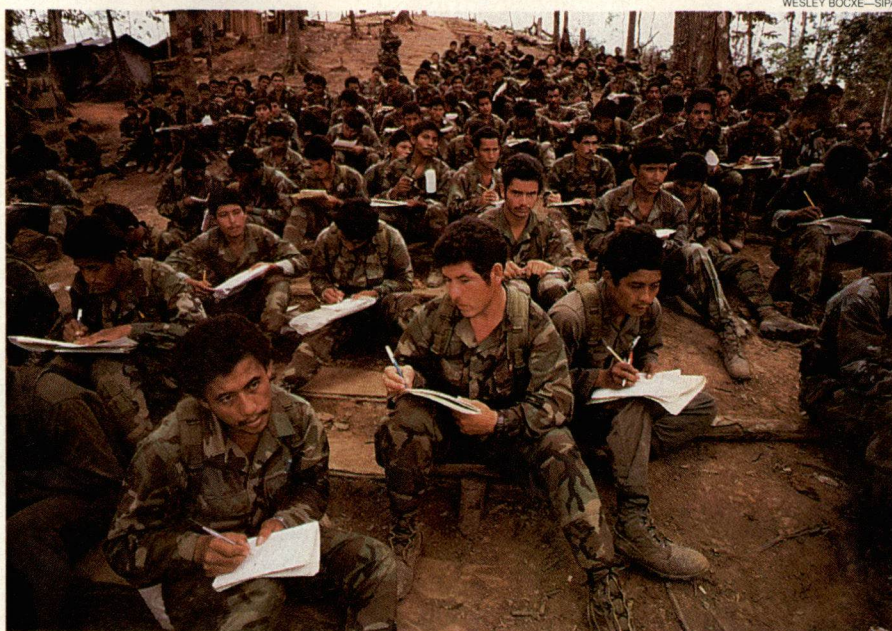
## THE LAW

## The trial of an embryonic issue

**A** divorcing Tennessee couple's fight over seven frozen embryos caught the country's attention last week and brought predictions that a landmark court ruling was in the offing. But the nation's 200 in-vitro-fertilization (IVF) clinics don't have the luxury of sitting idle while Blount County Circuit Court Judge W. Dale Young struggles to decide whether Mary Sue Davis, 28, or her estranged husband, Junior Lewis Davis, 30, is to gain control over the fate of the embryos—produced through in-vitro fertilization. The clinics are setting firmer guidelines on what procedures to follow in such circumstances, hoping to cut legal battles to a minimum in a field largely barren of precedent.

Most clinics now require couples to sign elaborate consent agreements providing that their frozen embryos will be donated anonymously to another couple or for research, or be destroyed, in the event of divorce, the death of either of them or if they change their minds about IVF. The embryos would also be earmarked for donation or destruction no later than a certain date—usually the 45th birthday of the woman or 10 years from the time the embryos were produced. In the Davis case, she wants to use the embryos in another attempt to become pregnant. He wants her barred from access to them and would like them to stay frozen—at least for now.

The who-owns-the-embryo issue has gained urgency because an increasing number of couples undergoing IVF are



WESLEY BOCKE—SIPA

**Are the Contras liquidado?** The U.S.-backed Nicaraguan rebels—shown in training, above—last week received an eviction notice signed by five Central American Presidents, who agreed for the first time on a deadline (December 8) for disbanding the anti-Sandinista forces in Honduras. Under the pact, a U.N.-appointed commission is to supervise the

demobilization and voluntary repatriation of as many as 10,000 Contras. But the Contras say they won't return to economically distressed Nicaragua unarmed unless convinced the Sandinistas will honor promises of more democracy. The U.S. Congress earlier pledged nonlethal aid to the rebels at least until elections in Nicaragua next February.

having embryos frozen. The technology allows doctors to remove a batch of eggs in one surgical procedure and freeze those not being used right away. The frozen eggs only need be thawed for another go at pregnancy if earlier tries fail, sparing the women the need for egg extraction surgery each time. This reduces the cost by as much as \$5,000 per procedure. One in 4 couples undergoing IVF today has embryos frozen, a ratio expected to rise to 2 in 4 in the next two years. Over the next decade, experts predict freezing could be a routine part of virtually all in-vitro-fertilization procedures.

Though Judge Young's decision will be closely studied in the medical and legal worlds, it will be up to other courts and the state legislatures to resolve the issue, a process that will take years. Complicating matters further, changes in state abortion laws, following the Supreme Court's *Webster* decision diluting abortion rights, could affect IVF questions, too. Laws dictating that life begins at conception—the pro-life position—would, in effect, make destruction of frozen embryos illegal.

## THE FAMILY

## A new kind of spouse in the house

The hoary greeting "How's the family?" is giving way to "Who's the family?" Last week, New York Mayor Edward Koch gave bereavement leave to city workers whose "domestic partners" die. It is part of a trend toward giving homosexual and unmarried couples perks once reserved for men and women with marriage licenses. A half-dozen cities have new laws recognizing some rights for the unmarried. Policymakers "are adopting a concept of family more in line with the way people actually live," says Prof. Arthur Leonard of New York Law School.

The strongest such law is San Francisco's, which lets those who "share one another's lives in an intimate and committed relationship" file a declaration making them eligible for full benefits given to married spouses. New York State's highest court recently said a homosexual can inherit a rent-controlled apartment from a longtime companion. If the new concept of family takes hold, the 2.6 million unmarried heterosexual couples and uncounted other groups may benefit. "Three nuns have been declared a family for zoning purposes," notes Thomas Cole-



HANK MORGAN—RAINBOW

**Crucible.** Retrieving cryopreserved embryos

# Our Security



## The Subaru Loyale Wagon.

When you're traveling with precious cargo, you need the kind of security system that does a lot more than just buzz at thieves.

You need the kind that helps you navigate your family

securely through snow, rain and touchy terrain. The kind that's more popularly known as the Subaru Loyale wagon.

The Loyale wagon, with full-time four wheel drive, is a wagon that's actually in its

element when it's in the elements. And, with the impressive Subaru record of reliability (93% of all Subaru cars registered since 1979 are still on the road\*), this wagon could give you the assurance

© Subaru of America, Inc. 1988. \*R.L. Polk & Company Statistics, July 1, 1988. †See your local Subaru dealer for details of the warranty.

# Mobile System.



not only of a car for all seasons, but a car for many seasons.

It is just this kind of reassurance — now expanded to include a 36-month/36,000 mile, bumper-to-bumper warranty<sup>†</sup> — that has helped

make Subaru the most popular station wagon in America.<sup>‡</sup>

Happily, however, the philosophy of Subaru isn't peace at any price. It's peace at a low one. Which means you can now have mobile security

without jeopardizing your financial security.

**1990 Subaru Loyale<sup>®</sup>**

*We Built Our Reputation  
By Building A Better Car.*

†R.L. Polk & Company Statistics, YTD December 1987. Seat belts save lives.

man of the Family Diversity Project in Los Angeles, where traditional marriages account for 44 percent of households.

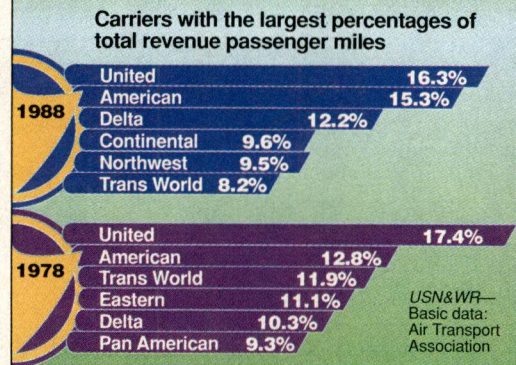
Yet drastic change will meet resistance. Opponents of the San Francisco plan have forced a referendum in November. The Washington-based Family Research Council will fight the idea elsewhere. "The nuclear family is the central building block of Western civilization," argues the group's Gary Bauer. The question now is how far the bicoastal notion of a family will reach into the heartland.

## BUSINESS

### Takeover weather for the airlines

If only airlines paid frequent fliers in stock—say, one share for every 10,000 miles. That would enable customers to get at least some benefit from a surge of airline takeovers and takeover attempts being spurred by higher ticket prices (up 15 percent in the last year) and the fatter

**Wide wings.** Some players have changed, but six airlines hold 70 percent of the air market, the same as 10 years ago, before deregulation.



profits they generate. Record earnings last quarter for UAL Corporation, parent of Chicago-based United Airlines, encouraged Denver oilman Marvin Davis's \$5.4 billion cash offer, which last week sent UAL stock zipping up more than \$90, or 56 percent.

Except for Northwest, which was just taken over for \$3.65 billion, United's fel-

low supercarriers, American, Delta and USAir, all are subjects of takeover speculation. They have emerged from a decade of deregulation with the equipment, personnel, routes, hubs and fare structures necessary to ward off and even stifle competition. Relatively low fixed costs for labor and jet fuel and sophisticated computer systems for maximizing yields from air fares have widened profit margins. The flying cash machines have radically raised Wall Street's assessment of their values. And the Northwest deal showed that buyers don't need high-interest junk bonds for financing; com-

mercial banks are willing to lend money at much lower rates if the loans are backed by planes sold and then leased back.

As with Northwest, Davis may not gain his prize. A management buyout with some participation by employees seems a better bet. Yet until the market turns sour or profits evaporate, the control tower is on Wall Street.



**Ditched ideas.** Trench warfare killed 19th-century idealism

## WORLD WAR I

### Disquiet on the Western Front

With the thunder of the guns of August, heard 75 years ago this month, European powers plunged themselves into a continental war for the first time since Napoleon Bonaparte. By the time the Great War ended four years later, in 1918, Europe's old political and social orders were not the only edifices that had disappeared. World War I destroyed 19th-century

idealism—a ruination seen nowhere more clearly than in the copious literature the conflict evoked.

Britain's soldier poets set off for the Western Front with romantic notions of war, honor and glory. Early on, Laurence Binyon wrote of the war dead: "Age shall not weary them, nor the years condemn." And Rupert Brooke, who died of blood poisoning on a hospital ship in 1915, could declare: "Now God be thanked who has matched us with His Hour, / And caught our youth, and wakened us from sleeping." But such ideas met a sudden death in the wet, cold trenches where poison gas, machine guns

*In Flanders fields the poppies blow  
Between the crosses, row on row,  
That mark our place; and in the sky  
The larks, still bravely singing, fly  
Scarce heard amid the guns below.*

*We are the Dead. Short days ago  
We lived, felt dawn, saw sunset glow,  
Loved and were loved, and now we lie  
In Flanders fields.*

—"In Flanders Fields,"  
by John McCrae

and long-range artillery wreaked their havoc. The war of attrition, in which more than 12 million men were killed, soon led to bitterness and disillusionment. "When it was all said and done, the war was mainly a matter of holes and ditches," wrote British poet Siegfried Sassoon.

It wasn't only despairing poetry that made World War I the last great war of words. The conflict came before the dawn of radio, newsreels and television, when print was still the dominant means of communication. Says literary scholar Paul Fussell, "Today, we expect TV, not poetry, from wars."

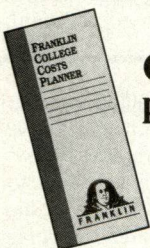
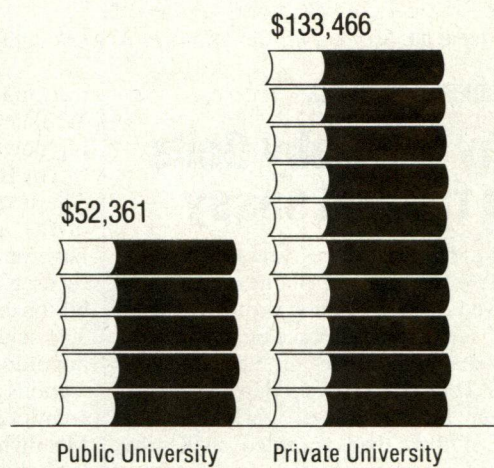
# YOUR CHILD IS WORKING HARD TO PREPARE FOR COLLEGE. ARE YOU?

With college costs rising at such a rapid pace, it's going to take more than a high G.P.A. to get a degree. Financial planning to meet college education expenses is essential.

Consider that a child born today will probably face college costs ranging from \$52,000 for four years at a public university to over \$133,000 for a degree from a private institution.<sup>†</sup> As high as these figures may seem, they don't have to put a college degree beyond your child's reach.

To help you prepare for your child's education, ask for a free copy of the Franklin College Costs Planner published by the Franklin Group of Mutual Funds. You'll also receive some valuable investment ideas for college savings.

Projected College Cost For A Child Born Today<sup>†</sup>  
4-Year Degree in the Year 2006



**Order your college costs planner today!**

<sup>†</sup>Source: College Board, Princeton, N.J. Based on a 6% average annual rate of inflation and average annual expenses for the 1988-1989 school year of \$4,445 for a 4-year public college and \$11,330 for a 4-year private college.



**FRANKLIN**

Member \$37 Billion Franklin Group of Funds

**Franklin Distributors, Inc.**  
777 Mariners Island Blvd.  
San Mateo, CA 94404-1585

USN89

*Yes! I would like to receive a copy of the Franklin College Costs Planner, so I can prepare for my child's future. I would also like a prospectus containing more complete information, including charges and expenses on the fund(s) checked below. I will read the prospectus(es) carefully before I invest or send money.*

- Franklin Equity Fund       Franklin Income Fund  
 Franklin Money Fund       Franklin Federal Tax-Free Income Fund

Name \_\_\_\_\_

Address \_\_\_\_\_

City/State/Zip \_\_\_\_\_

Business phone \_\_\_\_\_ Home phone \_\_\_\_\_

**1-800-Dial Ben Ext.929**



BOB KAMP-AP

Labor hang-up. Strikers hit the bricks in Newark against New Jersey Bell

## TELECOMMUNICATIONS

## Why the Baby Bells are fat and sassy

What a difference three years can make. In 1986, the regional phone companies, deprived of Ma Bell's protective embrace, secured labor peace by agreeing to profit-sharing bonuses in lieu of wage hikes. Today, the seven Baby Bells are tougher bargainers. By early August, three of them had accepted strikes by 157,000 members of the Communications Workers of America and the Inter-

national Brotherhood of Electrical Workers, and three others were negotiating down to contract deadlines.

The Baby Bells have reason to feel bold. The seven firms that operate 100 million of the nation's 130 million phone lines have outperformed Ma Bell since 1984, earning combined profits last year of \$8.4 billion compared with AT&T's \$2 billion. The seven enhanced their regulated monopolies with regionally tailored specializations and branched out into real estate, computers and other unregulated fields. Meanwhile, AT&T took bruising losses in long-distance service, equipment and computer sales wars. Two months ago,

AT&T averted a strike by agreeing to an innovative family-health-care package. But the regional firms are taking a tough line on health-care costs. "To compete in future markets, they have to be more competitive in labor costs," predicts Prof. Wallace Hendricks, University of Illinois telecommunications scholar. "They are going to get leaner and meaner."

Today's highly automated telephone network tilts the battle toward management. So far, the primary inconveniences are long waits for operator assistance and delays for installations and repairs.

## HIGHER EDUCATION

## Have the halls of ivy grown too green?

Bankrolling a child through four years of private college cost \$19,000 on average a decade ago. Today, the bite is a lot deeper—\$47,000—and by the year 2000 it may exceed \$100,000. Parents are not the only ones choking. Last week, the Justice Department said it was probing possible collusion in fee setting by elite schools.

Educators blame both teachers and students for tuition rises that the College Board announced last week would average 5 to 9 percent next school year. Institutions wage bidding wars for top professors, sometimes doubling pay and offering perks to lure the best. Potential students can be harder yet to please. "Today's applicants are astute shoppers," says Gary Sojka, president of Pennsylvania's Bucknell University. "They ask for the number of writing tutors or whether we have squash courts." Some colleges even raise fees for appearance's sake. "The public has the misconception the price is equivalent to educational quali-

## THE BRAIN

## Now, on the other hand

Pity the left-hander. Not only do lefties bear a hefty load of linguistic stigmas—*sinister*, after all, comes from the Latin for left, *gauche* from the French—but the roughly 10 percent of mankind that uses the "wrong" hand must also cope with the unwieldiness of scissors, can openers and other gadgets designed with the "righty" majority uppermost in mind. Now comes a study suggesting that the antileft bias of the world is more than in-

convenient; it is downright dangerous.

Left-handers are nearly twice as likely as right-handers to need medical attention for an accident at home, at work, in sports or on the road, Stanley Coren of the University of British Columbia found in surveying 1,896 college students. Ten percent of the lefties reported suffering injuries while driving, for example, compared with 6 percent of righties. The rub, the psychologist theorizes, is that power tools such as drills, band saws and lathes often require lefties to make do with their less dexterous hand or to work in an uncomfortable or hazardous position. Even

roadway traffic patterns, he says, favor the clockwise preferences of righties.

Still, all is not black for the left-handed. The trait has long been associated with creativity—witness Michelangelo, Leonardo da Vinci and Thomas Edison. Far more lefties than right-handers are believed to have their language abilities located in the right hemisphere of the brain, which is thought to be the seat of creative and spatial skills. Nor does a leftward bias hold back people who may wish to strut on the world stage. Alexander the Great, Charlemagne, Napoleon, Queen Victoria—and George Bush—would all agree.



DONALD GATES FOR US&amp;W

*"I see you've switched  
Vodkas, Vladimir"*

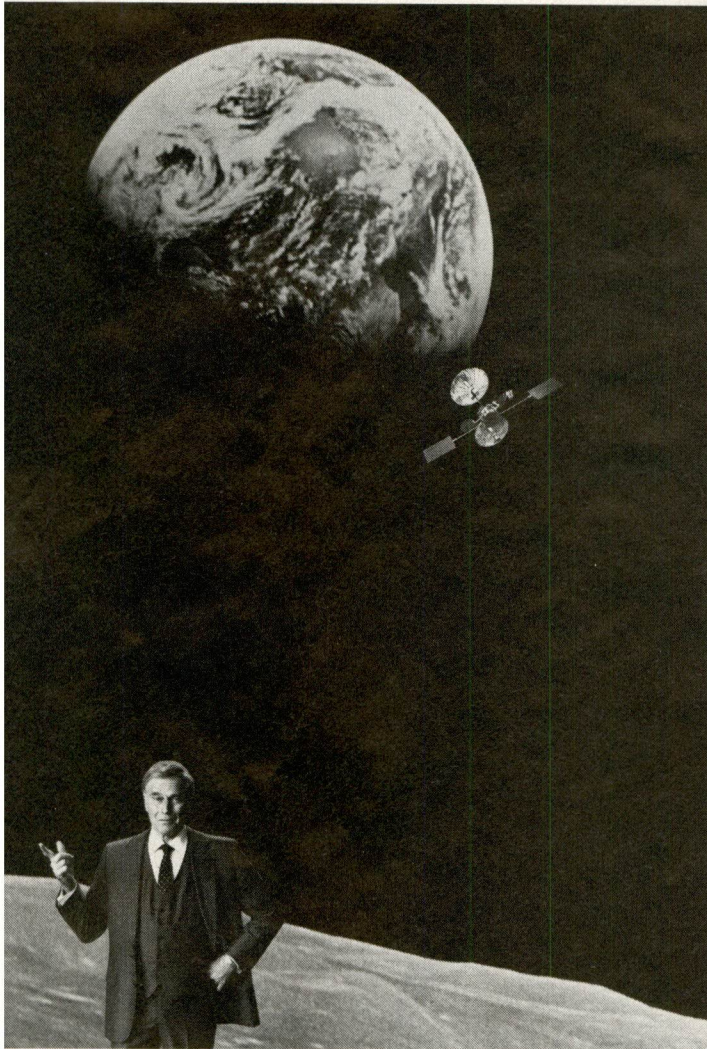
*"I see you are as perceptive  
as you are beautiful, Natasha"*



ICY COLD. ICY CLEAR. ICY VODKA. IT'S SMOOTH AS ICE.

# "WE MOVE HEAVEN AND EARTH TO BRING TECHNOLOGY HOME"

CHARLTON HESTON FOR CONTEL



© 1989 Contel Corporation

At Contel, we've had years of experience managing NASA's sophisticated satellite communications system.

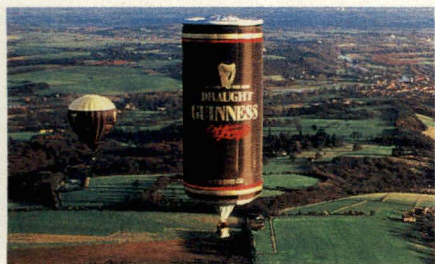
And the things we learn relaying voice, video and digital signals from outer space have a down-to-earth benefit too.

They help us bring technology to all our customers. So whether we're planting fiber optic cable down south, or keeping upper Minnesota up to the minute, we go out of our way. It isn't just good experience. It's also good business.

**CONTEL**<sup>®</sup>  
We go out of our way.<sup>SM</sup>

ty," asserts Kent Halstead of Research Associates of Washington.

No evidence has emerged that threatens to make college administrators into prison trustees. Yet schools may face an antitrust challenge to the longstanding practice of sharing data on scholarship offers, which is designed to limit aid to real needs. It would be ironic indeed if costs then rose further as schools began competing for top students by giving generous grants to those not needing them. Parents do have cheaper options. Four years at a public college costs less than \$25,000 on average, a sum that makes tax-supported classes seem a bargain.



GUINNESS P.L.C. LONDON

## BREWING

### The crowned heads of Britain in a can

Just as Othello needs Desdemona, a dark, almost muddy pint of Guinness stout must have its white, creamy head. Publicans long held a monopoly on the thick foam, using the spumous keg tap, backed by a humongous patent, including one full page on the qualities of a good froth. Now, Britain's 7 million Guinness drinkers no longer need go to the pub to savor the perfect marriage of dark and light.

After spending four years and \$8 million, the onetime Dublin-based brewer has introduced the 14-ounce keg in a can. Draught Guinness opens and pours much like any other can of beer. The difference is deep within, where the brew surges through the tiny holes of a plastic tap mounted in the can on the bottom, sending up a velvety froth of minute bubbles. Nitrogen provides the pressure, unlike most beers, which use CO<sub>2</sub>.

The firm has no plans to export the technology to the U.S., where dark beer has yet to catch the fancy of the masses. But some Americans could benefit anyway. Unlike the usual lukewarm pints that U.S. visitors must endure, if the tiny tap is to work its magic, Draught Guinness in a can *must* be served cold. ■

Currents contributors: Steven Findlay, Sandra R. Gregg, Jim Impoco, Louise Lief, Ted Gest, Clemens P. Work, Ronald A. Taylor, William F. Allman, Don L. Boroughs, Leslie Viney

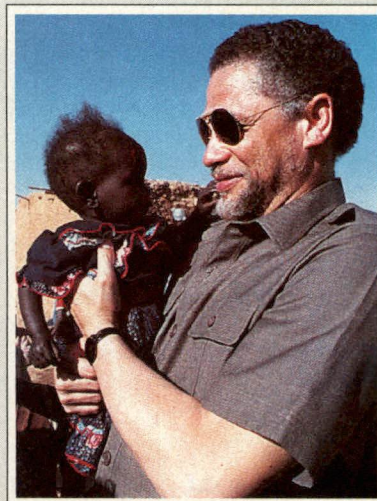
## PEOPLE MAKING NEWS

### Man against the sky and the desert

In the Fugnido refugee camp, home to at least 17,000 orphans of Sudan's civil war, the roar of airplane engines is one of the only signs of hope. The children heard that sound one time too few last week. The plane of Texas Representative Mickey Leland, friend of hungry people everywhere, never arrived at the camp. A dozen aircraft spent four unsuccessful days searching vast stretches of the Ethiopian terrain for a sign of the chairman and founder of the U.S. House Select Committee on Hunger and his 13 companions. Back in the U.S., Leland's pregnant wife, congressional staff and fellow hunger activists cling to hope alone.

#### ■ House of Wang

The father started out with few advantages. At age 21, just off the boat from Shanghai, he survived on \$100 a month. The son started out with every advantage; his father had become a corporate giant, one of the 10 richest in the United States. By age 31, the son made the board of directors. At 36, he took over as president. But for all of his breaks, Frederick Wang never attained the heights of success reached by his father, An Wang. Last week, after Wang Labs posted a \$424 million loss for fiscal year 1989, young Frederick resigned as president.



MARTY LAWOR

Leland. A Sudanese stopover

#### ■ Paul's pictures

To almost any other art collector, the sale of 42 works by Picasso, van Gogh, Degas, Manet and others would represent total liquidation. To philanthropist art collector Paul Mellon, the pieces are but "a very small selection." The 82-year-old, whose donated artworks are numbered in the tens of thousands, assured the National Gallery and other art centers that he will continue his tradition of support. One sale from the group is expected to fetch \$85 million, the highest presale estimate ever.



RICHARD HOWARD

Frederick and An Wang. The father was too tough an act to follow

**Sheikdown.** Israel videotaped its extensive interrogation of Sheik Abdul Karim Obeid, the Hezbollah leader abducted from his home in Lebanon, and has shown the tape to top U.S. officials. Obeid, who is being kept in a windowless room north of Tel Aviv, is said to have revealed incriminating details of Iranian participation in the kidnapping of Lt. Col. William Higgins and disclosed the names of key members of the Hezbollah network as well as orders and payments by officials in Teheran for specific acts of terror. Israeli authorities say Obeid was so cooperative in telling them what they wanted to know that they intend to use a threat to make public the tape as a bargaining chip in negotiations for the release of Western hostages.

**Bush's "defining point."** His approval rating remains extraordinarily high, approaching 70 percent. His staff believes he has passed "the defining point of his administration." And even his critics find it hard to fault his adroit handling of this month's hostage crisis. Yet George Bush is a worried man. Friends who have talked with the President recently say he feels his current popularity is shallow and could easily dissipate with any misstep in the delicate hostage situation. At home, Bush is said to feel vulnerable for having proposed bold domestic initiatives—such as a manned mission to Mars and improving air quality—without suggesting the means to pay for it all. "He sees problems coming in the fall," says one Bush pal, "but he doesn't have any idea how to deal with them right now."

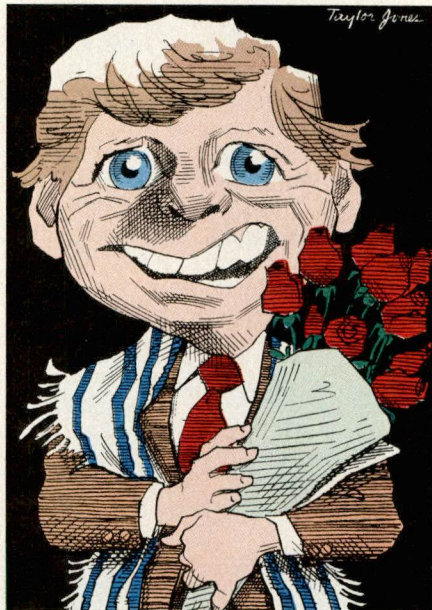
**The uncollectibles.** With the savings and loan rescue finally under way, U.S. officials predict the next candidate for federal bailout will be the Farmers Home Administration, \$24 billion in the red and still hemorrhaging. The FmHA wrote off \$1.8 billion in delinquent loans in 1988, and insiders suggest that during the next three years the agency will have to declare \$8.7 billion worth of farm loans uncollectible. To stanch the bleeding, Agriculture Secretary Clayton Yeutter wants to tighten lending standards and boost interest rates, some of which have been negotiated at rates as low as 1 percent. But proposed changes must undergo scrutiny by Representative Jamie Whitten of Mississippi, the powerful chairman of the Appropriations Committee and senior member of the House, for whom low-interest farm loans are an article of political faith. Yeutter has a tough row to hoe.

## Israel shows video of sheik interrogation

### President encounters Angst of August

## Guess who is coming to the bar mitzvah?

**Getting to know you.** Vice President Dan Quayle has developed a new interest in Jewish ceremonies. In his 12 years in Congress, Quayle had little contact with Indiana's small and overwhelmingly Democratic Jewish community. Now, Jewish leaders say he is turning up at bar mitzvahs and other functions. The Veep also plans to visit Israel later this year. Could politics possibly be involved? Banish the thought. Explains one host: "The purpose is simply to get acquainted."



Vice President Dan Quayle  
Cordially invited

**Bonus for bureaucrats.** It might be called the golden handshake, government-style. In a grand gesture of benevolence, Interior Secretary Manuel Lujan, Jr., bestowed unusual farewell bonuses on three departing agency directors: Robert Burford of the Bureau of Land Management, Frank Dunkle of the Fish and Wildlife Service and William Penn Mott of the National Park Service. The three, who came to Washington in the mid-1980s,

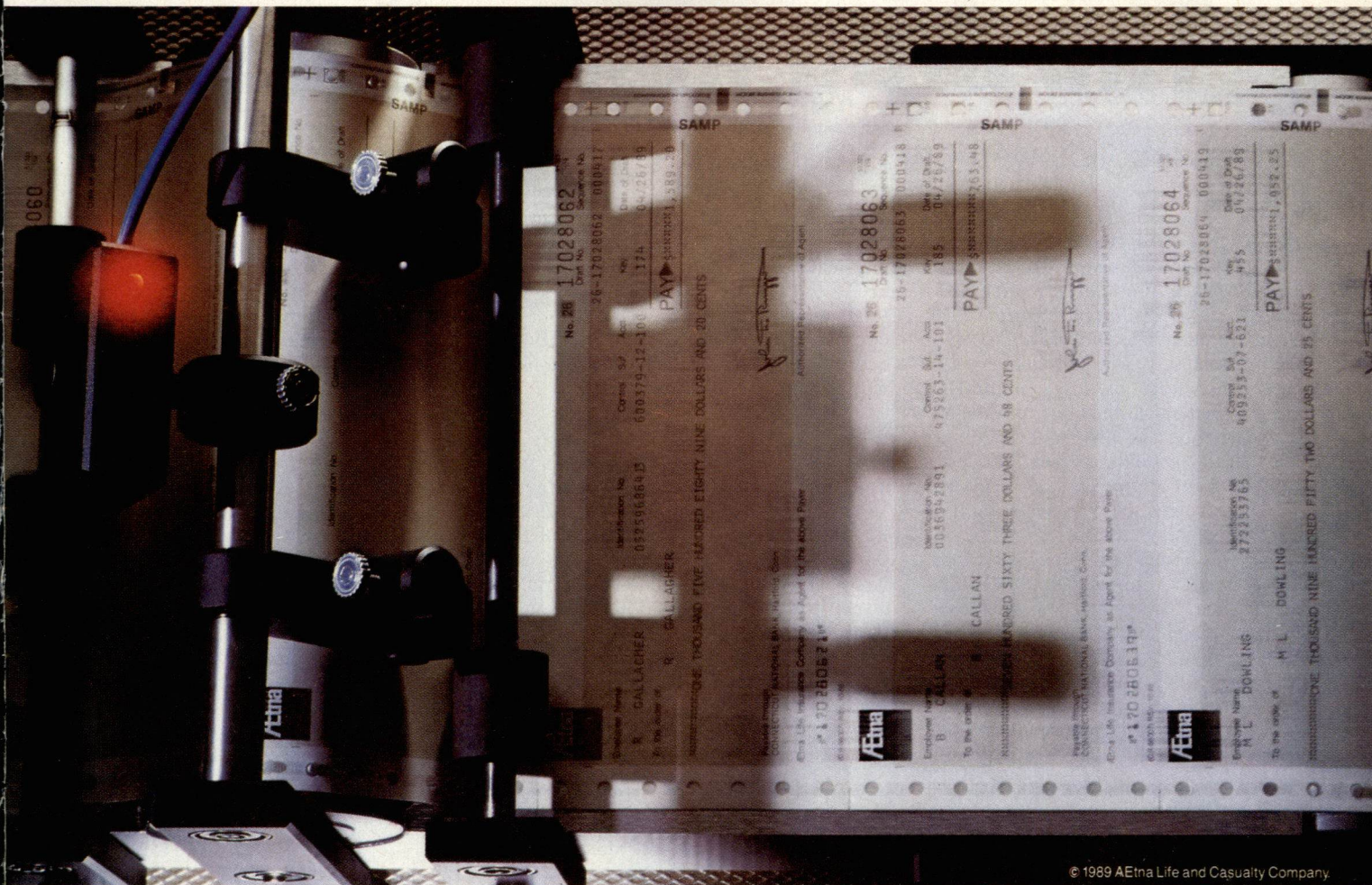
were given Senior Executive Service appointments, paying up to \$80,000 a year, and will serve until December 31 as special consultants to the agencies they previously ran, even though they have already moved back to their hometowns in California and Colorado. Moreover, Lujan allowed them to charge their moving expenses to the government, a privilege accorded only when the government relocates an employe from one federal job to another. Burford received \$12,900, Dunkle \$11,298 and Mott \$1,956. Lujan says he approved the arrangement for the trio to allow his department "to tap their collective expertise."

**We mean business.** Washington is not wasting any time in trying to impress Toshiki Kaifu, the new Japanese Prime Minister, with its determination to force Tokyo to lower nontariff barriers. Commerce Secretary Robert Mosbacher is to fly to Tokyo next month to tell Kaifu, Japan's third head of government in the past three months, that despite the continuing political crisis in his country the Bush administration means business in its demand for the removal of so-called structural impediments to the importation of more goods and services from the United States. In 1988, Japan ran a \$52 billion surplus in its trade with America.

**Fame of "The Rose."** The presidential aide most White House staffers love to hate is a 63-year-old grandmother from Florida named Rose Zamaria who oversees perks, parking and the staff budget. "The Rose," as she is known in the West Wing, pinches presidential pennies for Bush the way the legendary Hugh "Cousin Cheap" Carter, Jr., pinched them for his tightfisted cousin Jimmy. Since coming out of retirement to rejoin George Bush, who had been her boss on Capitol Hill when he was in Congress, Zamaria has clamped a lid on spending for everything from power lunches to power beepers to the dispensation of presidential tie clips and key chains. Her latest ploy—reducing communications expenses at Kennebunkport by eliminating internal phone lines—has infuriated normally tranquil White House stenographers. They argue that their work requires phones in their rooms, but the odds favor Zamaria, whose most casual remarks are interpreted as commands. For example, when she recently mentioned that blueberry muffins served in the mess seemed to have "too much sugar," less-fattening bran muffins quickly appeared on the menu.

Edited by Charles Fenyesi

# The check really is in the mail.



© 1989 Aetna Life and Casualty Company

Very few things in life are more frustrating than waiting around for money that someone owes you.

Particularly if that someone is an insurance company.

Unfortunately, it's by no means unusual to wait months on end for an insurance company to pay up.

At Aetna, we think that's unconscionable.

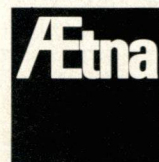
So at our Employee Benefits Division, we've reduced the entire health insurance claims process to a mere nine days. Despite the fact that we receive nearly a quarter-million claims a day.

Of course, you don't get results like this by waving a wand. At Aetna, it takes a national on-line claims network, three mainframe computers, 32 automatic collating machines, five Zip Code pre-sorters, and 225 dedicated people dedicated solely to getting those checks in the mail.

Still, we find the extra effort pays. We like to think that such unusual promptness is why so many companies are so quick to employ us for their employee benefit programs.

And why they're so slow to leave us.

**AETNA. WE GIVE NEW MEANING TO THE WORD DILIGENT.**



# The drug-money hunt

Narcotics warriors target dealers' cash as well as their stash

**T**he war on drugs is undergoing a subtle but far-reaching shift. America's many-faceted drug-enforcement attack is gradually broadening its focus from the traditional targets of narcotics shipments, traffickers and users to the increasingly critical element that keeps the whole illicit system moving: Money. Federal authorities now believe that damming the flow of drug money that passes through myriad laundering schemes can cripple a trafficking network just as effectively as arresting dealers and seizing narcotics. "The old school was bodies and kilos," says Drug Enforcement Administration agent Albert Latson. "But when you seize money, you're seizing the trafficker's end product, his profits."

Drug money is the invisible scourge of narcotics-ridden America. Tainted dollars course through the nation's banking arteries like a polluted stream, commin-

gling bad cash with good and infecting many who touch it along the way. The physical connection between money and drugs is so pervasive that random lab tests show virtually every U.S. bill in circulation bears microscopic traces of cocaine. That amounts to 12 billion bills worth about \$230 billion.

## Stanching the flow of dirty dollars

The fight against laundering has just now risen to the top of the international agenda. At last month's summit in Paris, President Bush and other leaders of the Group of Seven industrial nations announced plans for multilateral efforts to stanch the flow of drug dollars through the global financial vascular system. A joint financial-action task force will convene next month in France to follow up the new United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. The treat-

ty, now signed by 67 nations, calls for all countries to make money laundering a crime and adopt measures allowing for confiscation of drug-related assets. The need to ferret out dirty traces in the \$615 billion daily exchange of wire transfers in and out of the U.S. is made especially urgent by Europe's race toward financial integration in 1992, which will allow both clean and tainted money to flow even more freely across all Common Market borders.

Gripped by the notion that money is the drug dealers' lifeblood, the Bush administration this month launched a series of antilaundering initiatives. Treasury Secretary Nicholas Brady urged drug czar William Bennett to form a "national money-laundering control center" as part of his new national drug strategy due to be unveiled September 5. The NMLCC would coordinate the complex, often arcane laundering investigations that now

## La Mina: The \$1 billion laundering "mine"



**1 THE COURIERS.** *The money trail began with cash deliveries by Colombian couriers to bogus jewelry fronts in Manhattan's*

**1 THE COURIERS.** *The money trail began with cash deliveries by Colombian couriers to bogus jewelry fronts in Manhattan's*

*diamond district. A federal agent watched from a stairwell.*

**2 THE PACKAGER.** *A launderer packed the hundreds of thousands of dollars in small cartons, swathed in duct tape and labeled as jewelry. Then, he telephoned an Armenian jewelry front in Los Angeles and announced his shipment in code ("kilos" meant \$100,000 and "grams" meant \$10,000). He did not bother with amounts less than \$10,000.*

fall into the jurisdictions of dozens of federal, state and local agencies. Atty. Gen. Dick Thornburgh called for the formation of a Justice Department office of international affairs to handle the rising tide of overseas laundering cases, among other things. In Mexico, Secretary of State James Baker urged the Carlos Salinas government to make money laundering an extraditable offense.

Yet America's drug warriors know they are only beginning to nudge at the edges of the problem. Some law-enforcement experts estimate that all laundering prosecutions, though on the upswing, touch no more than 2 percent of the money being washed. For all the new international cooperation, the millennium is not quite at hand. Luxembourg, Liechtenstein, the Netherlands Antilles, the Cayman Islands, Panama and Uruguay remain relatively safe places for dirty money, federal officials argue. "It only takes one or two countries agreeing to be renegades, and you have an opportunity to pollute the entire system," says a knowledgeable U.S. Senate staffer.

Still, some new crackdowns on laundering are already paying off. The 1986 Money Laundering Control Act for the first time made money laundering itself a crime, and last fall's omnibus drug law

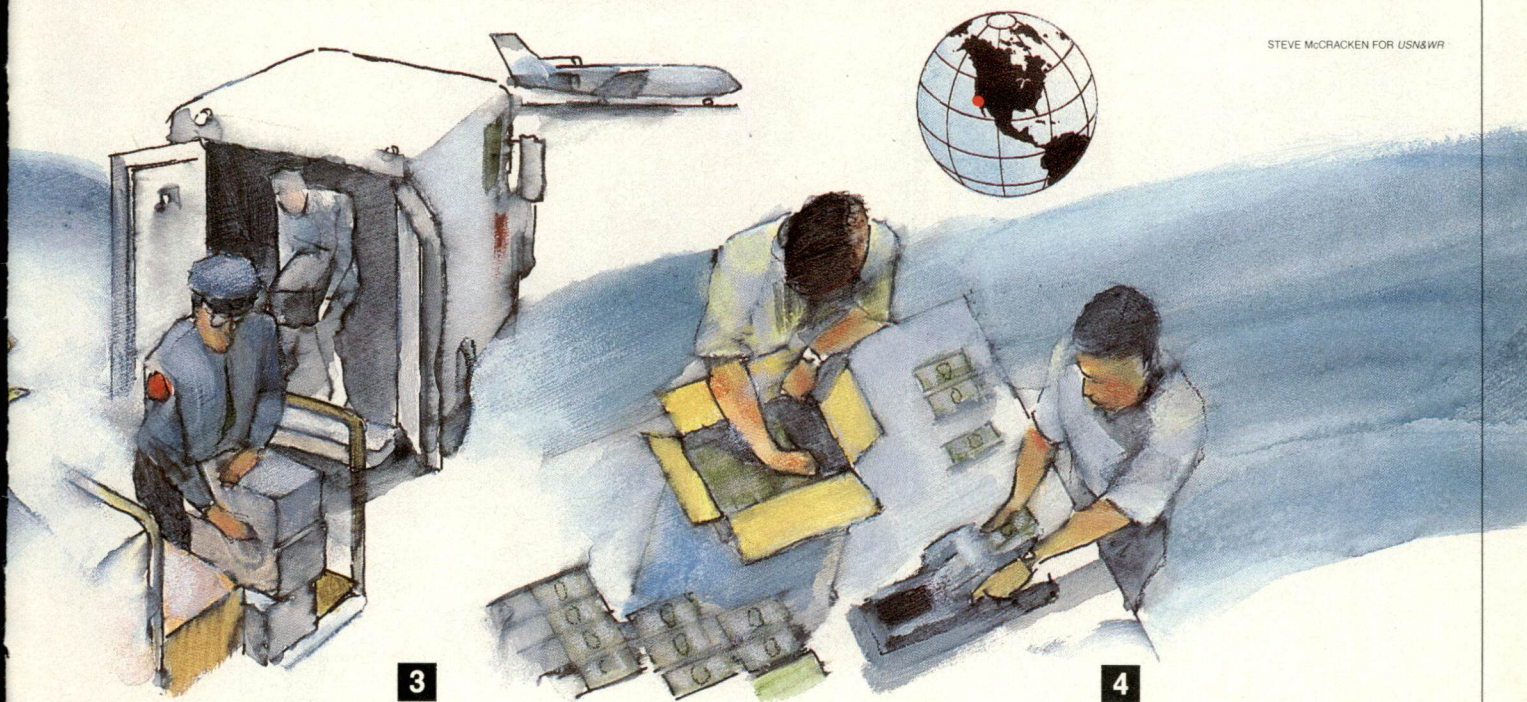
expanded the federal government's ability to go after laundering schemes. Assistant U.S. Attorney Wilmer Parker III reached a plea-bargain agreement in a precedent-setting case in Atlanta federal court, which calls for a foreign-owned bank to plead guilty this week to laundering drug money. With a \$5 million penalty, it is the largest laundering conviction ever obtained by prosecutors against any bank and the first time that any foreign bank without any operations in the U.S. has been convicted. At the Panama branch of Colombia's Banco de Occidente, two officers were caught washing more than \$10 million. Not only were the bank officers indicted, so was the bank.

### The Crockett and Tubbs takedown

The scope and subtlety of the probe is a good example of how hard it is to make money-laundering cases and how complex laundering schemes can be. The players in this undercover game were John Featherly, a pudgy New York Irish DEA agent in the middle years, and his sidekick, César Díaz, a dapper young Cuban-born DEA agent who was raised in Miami. Posing respectively as Jimmy Brown, a sometime Mafia money mover, and Alex Carrera, a Hispanic hustler on

the way up, the unlikely pair were the equivalent of "Miami Vice's" Crockett and Tubbs as they penetrated the cash trail of Colombia's notorious Medellín cartel. Díaz met with a top cartel launderer, Eduardo Martínez, in the very heart of the Banco de Occidente, where "they treated him like the president of the bank," reported Díaz. The undercover duo then lured Martínez to another meeting at a posh hotel on the Caribbean island of Aruba. They became friends over drinks and dinner in a \$500-a-night suite while discussing laundering techniques. Martínez never knew he was being secretly videotaped.

Once the evidence became overwhelming, prosecutor Parker moved aggressively to secure a new level of cooperation by the governments of Canada, Switzerland and Germany and that led to the freezing of \$82 million in Banco de Occidente's deposits—half the bank's total. Even though charges against the parent bank in Colombia were dropped, the freezing of funds had the salutary effect of forcing the bank into a plea bargain. Under a never-before-used portion of the 1986 law, the U.S. government hopes to share the \$5 million penalty money with the cooperating foreign governments. This is a breakthrough that



STEVE MCCRACKEN FOR USN&WR

**3 THE CARRIERS.** Armored-car couriers picked up the cash, thinking it was jewelry. They transferred it to a plane for overnight delivery to Los Angeles. One day, a box broke open in the back of an armored car, revealing thousands of dollars "packed like bricks." The armored-car company notified federal agents.

**4 THE COUNTERS.** In a secluded room in the Los Angeles

diamond district, the cash was sorted and counted on a high-speed machine. It was then rebundled for delivery to several banks. Members of the laundering network frequently argued over money counts and late shipments. Counting such huge volumes of cash was so tedious that one launderer often laid his head down on layers of cash to take a nap. Federal investigators set up a video camera in the ceiling and made extensive tapes of the scene.

is bound to get the attention of countries that until now have been ambivalent about helping zealous U.S. prosecutors.

The Banco de Occidente plea agreement also sends a dramatic new signal to banks at home and abroad that even the actions of a few corrupt employees can be a costly oversight. "The word is out that if you launder, the U.S. can prosecute. It has absolutely terrified every bank in South America. They're shook," says Jerome Froelich, Banco de Occidente's attorney.

### The largest laundry ever

In size, the Atlanta case pales by comparison to the largest laundering ring ever uncovered in the U.S. The ring, called La Mina, which means "the mine" in Spanish, was smashed in February by a four-agency federal investigation called Operation Polar Cap that led to 127 indictments. La Mina is alleged to be a multicontinent scheme that authorities say sluiced \$1 billion in dirty dollars in three years through a floodgate of U.S. and foreign banks, jewelry fronts, gold brokerages and international wire transfers (see graphic). The cash was finally wrung dry in the coffers of Colombia's notorious Medellín cartel, which narcotics experts estimate supplies 80 percent of the cocaine consumed in the U.S.

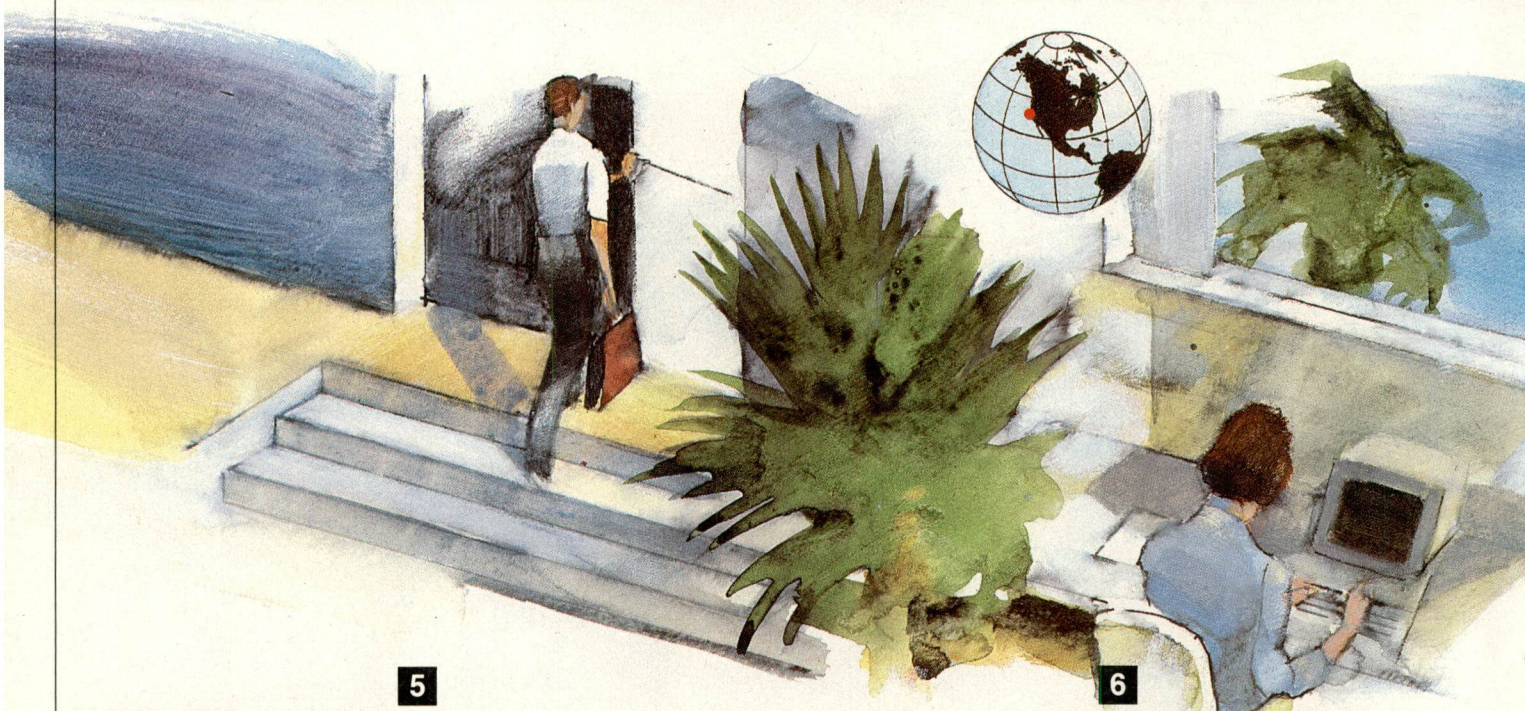
La Mina was based in Montevideo, Uruguay. But it employed a cosmopolitan bazaar of Armenians, Turks, Arabs, Syrians, Vietnamese and Latin Americans working mainly in the U.S. Two jewelry firms operated by Armenian immigrants in the Los Angeles diamond district were cornerstones of the scam, secretly counting and depositing hundreds of thousands of dollars in local banks every day for a 3 to 7 percent commission. La Mina's unique method, according to prosecutors, was to move huge sums of money through the legitimate banking system. That generated a detailed paper trail of federal currency transaction reports, which are required when more than \$10,000 in cash is deposited. But the launderers attempted to legitimize this banking record by creating among themselves a corresponding set of intramural gold trades, sometimes real, sometimes bogus.

The image of "laundering" is apt for the process that turns drug money into something indistinguishable from other legitimate assets. Those who launder money pass illegally obtained funds through some mechanism so that it comes out looking clean, or legal. The money can be transformed into some other kind of asset, such as property, foreign currency, cashier's checks or

even cash that has been mixed with untainted money and cannot be traced back to the scene of the crime. Washing cash is crucial to the drug kingpins because of the enormous sums generated by sales of narcotics, often estimated at more than \$100 billion annually, almost as much as the revenues of General Motors, the world's largest corporation (1988 sales: \$123 billion).

Laundering schemes function as an alternative underground banking system for the narcotics industry, moving money around the world the way regular banks do it for legitimate businesses. Colombian drug bosses need large and steady remittances to maintain production and distribution, just the way a foreign car manufacturer must repatriate its U.S. profits to keep building cars for the U.S. market. One accused trafficker, Juan Francisco Pérez-Piedrahita, told an informant that \$400 million in drug cash once rotted in a California basement because Medellín-cartel boss Pablo Escobar could not export it quickly enough through a laundering operation. The tale is probably apocryphal, but authorities treated it as a vivid illustration of the dimensions of the traffickers' laundering needs—and their vulnerabilities.

Laundering has bred a new kind of white-collar criminal. The quick-bucks,



5

**5 THE MONEY.** The Armenian jeweler and his accomplices delivered satchels of money to several Los Angeles banks—the first stage of laundering. One bank became suspicious when one jeweler's account took in \$25 million in cash in three months. Apparently, the jewelers thought their paper trail would be covered by trading gold with one another.

6

**6 THE TRANSFERS.** The day after each deposit, the launderers

ordered the banks to wire-transfer hundreds of thousands of dollars by computer to gold brokerages and to banks in New York. This laundered the money again, because it changed banks and accounts. Some of the money was then transferred to a London commodities broker for gold purchases—another wash cycle. Finally, the funds were wire-transferred to drug-cartel bank accounts in Panama and Uruguay controlled by agents of the Colombian drug cartels.

clean-hands allure of the trade sometimes leads otherwise upstanding citizens to the shady side of the law. "The people we're focusing on now are respectable-type people who live in the suburbs, talented people with business savvy," says DEA financial specialist Doug Ross. Then Georgia Representative Pat Swindall was in 1988 secretly taped by undercover agents discussing a laundering scheme designed to finance an \$850,000 cash mortgage on his \$1.4 million home. He was convicted this summer of perjury. Former California state budget director Richard Silberman, now a San Diego businessman, was arrested in April while negotiating to launder \$1.1 million in purported drug cash.

Wherever there is a drug problem, there is money laundering. In Washington, D.C., with one of the most violent drug cultures in America, three brothers operating a luxury-car dealership were charged last month with laundering drug funds through the old-fashioned technique of "smurfing"—breaking large cash deposits into chunks of less than \$10,000 each to avoid filing a currency transaction report. Even without drugs, small-town America feels the effects of drug cash. In depressed Atoka, Okla. (pop. 3,409), free-spending Mexi-

cans suddenly began showing up in the economically depressed area. Authorities then discovered that almost \$10 million in Mexican drug money was being laundered through a score of banks and used for purchases of 5,000 acres of ranch land. In Roma, Tex., drug-enforcement officials contend that an influx of drug cash into the dust-blown border town has distorted its tiny economy and driven land prices way up.

### The bank connection

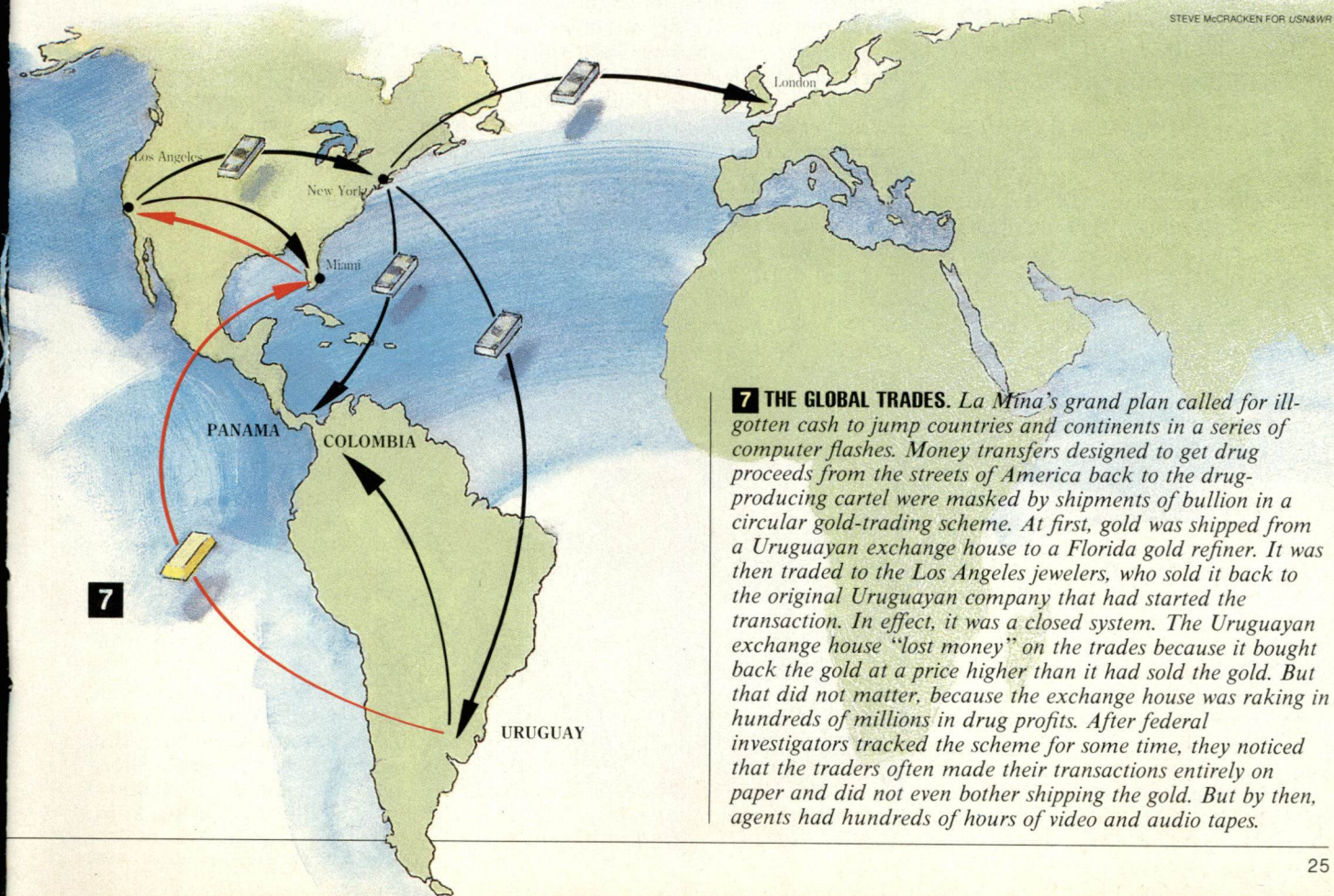
Banks are the most frequently used vehicles for money laundering. The international financial system is a computer-driven labyrinth of instantaneous electronic transfers ideally suited for launderers. In 1988, the Clearing House Interbank Payments System (CHIPS), the unique U.S.-based wholesale-electronic-transfer network in and out of the U.S., processed 33.9 million international transfers with an aggregate value of \$165 trillion—plenty of cover for an average laundering ring. Because their volume is so great, wire transfers are virtually impossible to saddle with the same federal reporting requirements that are applied to cash transactions.

Since a sensational 1985 case against the prestigious Bank of Boston for not filing currency transaction reports, most

banks seem to be diligently complying with the law, say federal investigators. But some officials argue that banks should take more-aggressive steps to identify and report potential launderers, as the Wells Fargo Bank of Los Angeles did in the La Mina case when a clerk reported suspiciously high deposits. Banking experts argue that this is an improper role for a financial institution. "It puts an impossible burden on the banks, which don't have the expertise to make that judgment," says John Villa, a Washington attorney who is an expert on banking crime.

American drug warriors note that every time they uncover a new laundering method, their foes seem already to have mastered another, harder-to-penetrate way to exploit the global banking system. "Every day, they find a new technique," says David Binney, chief of the FBI's drug section. "They're limitless in the ways they can expatriate that money. Trying to stay abreast of that—not ahead, just abreast—is a difficult task for law enforcement." Yet authorities insist they will press into this new area with more vigor because it lets them squeeze drug traffickers from the profit side, the place where it hurts them the most. ■

by Peter Ross Range with Gordon Witkin



**7 THE GLOBAL TRADES.** *La Mina's grand plan called for ill-gotten cash to jump countries and continents in a series of computer flashes. Money transfers designed to get drug proceeds from the streets of America back to the drug-producing cartel were masked by shipments of bullion in a circular gold-trading scheme. At first, gold was shipped from a Uruguayan exchange house to a Florida gold refiner. It was then traded to the Los Angeles jewelers, who sold it back to the original Uruguayan company that had started the transaction. In effect, it was a closed system. The Uruguayan exchange house "lost money" on the trades because it bought back the gold at a price higher than it had sold the gold. But that did not matter, because the exchange house was raking in hundreds of millions in drug profits. After federal investigators tracked the scheme for some time, they noticed that the traders often made their transactions entirely on paper and did not even bother shipping the gold. But by then, agents had hundreds of hours of video and audio tapes.*



**Forward march.** Gen. Colin Powell rides taller as he reviews the troops at Fort McPherson, Ga., his command before his new job

## Breaking barriers in the barracks

A black man and a white woman show that the armed forces still lead the pack in promoting social change

**W**hen it comes to social progress, the warrior-dominated, tradition-oriented, rigidly ruled armed services are among the best places to find enlightenment. That was dramatically demonstrated last week when a black man and a white woman were appointed to high-prestige, high-visibility posts never held before by persons of their race or gender. The black man is Army Gen. Colin Powell, a 52-year-old son of Jamaican immigrants who was named by President Bush to be the next chairman of the Joint Chiefs of Staff, the top job in the uniformed military. The white woman is Kristin Baker, a 20-year-old self-described "Army brat" who was chosen First Captain of the Corps of Cadets at West Point. Baker says that she was chosen to oversee her 4,400 fellow cadets purely for her abilities and by an Army that doesn't discriminate. "I really think it's an individual thing. A good woman is going to go places. Just as a good male is," she told *U.S. News*.

To many who serve in the military and study the institution, Baker's words ring true. But that was not always the case. Blacks held a disproportionate

share of the most dangerous and dirty jobs until President Harry Truman desegregated the armed forces in 1948. "Since that time, the opportunities for blacks in the military have been better than in civilian life," says David C. Ruffin of the Joint Center for Political Studies in Washington. "You could make general or admiral, whereas you couldn't rise to become CEO of a corporation."

Minority advancement has continued to grow steadily, especially since the Vietnam War. In 1969, only 2.1 percent of officers in all services were black. Ten years later, the proportion had doubled, and by 1989 it had tripled to 6.6 percent, while the representation of all minority races in the officer corps had risen to 11.2 percent. To be sure, reports of racist

incidents and harassment in the services still surface from time to time. And, notes Ruffin, "the promotion process is not totally free of racial subjectivity. But it's a lot less of a factor in the military."

**A "sea change."** Indeed, today, blacks hold more management positions in the military than they do in any other sector of American society. In the Army, long in the forefront of minority recruiting and advancement, blacks have risen from constituting 3.3 percent of the officer corps in 1968 to 10.7 percent last year—twice the proportion in the Air Force and Marines and three times that of the Navy. Eighteen years ago, there were only two black generals. Now, there are 37. "It's really been a sea change since the days when I came in," Powell said recently. But it may

well be the enlisted ranks that have provided the biggest lift for minorities and the underprivileged. The chance for a steady job, generous health and education benefits and the opportunity to compete fairly and command others regardless of race have given many minority youngsters the self-respect they could not find in the outside world.

Powell knew this when he left his South Bronx melting-pot neighborhood in 1958 to join the Army.



**Captain their captain.** Kristin Baker leads at West Point

# Brand Central<sup>SM</sup>

THE BRANDS YOU WANT  
AT THE STORE YOU TRUST<sup>SM</sup>

**SEARS**

## Take It Anywhere!

### TRANSMOBILE CELLULAR PHONE

- 9 - number memory
- Convenient carrying case
- Lighted key pad
- Last - number redial

# 299<sup>99</sup>

Every Single Day!

**\$11 PER MONTH\* ON SEARSCHARGE**

Battery not included

34602 (Mfr. #305-BX)



Authorized retailer for  
**Bell Atlantic**  
Mobile Systems

- Extraordinary Coverage • Quality Service
- Superior Network • Affordable Pricing

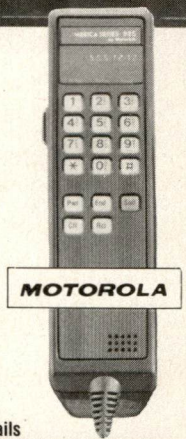
**FREE  
INSTALLATION!**  
With Glass-  
Mount Antenna! †

“HANDS-FREE”  
CELLULAR  
MOBILE PHONE

Every  
Single  
Day! **499<sup>99</sup>**

34615 (Mfr. #AS-825)

† Free with purchase. See store for details



## We Do It All For You

Cellular phone shopping couldn't be easier!

### ALL THE BEST NAMES

In cellular phones: Motorola,  
Novatel, Mitsubishi, G.E.

### COMPLETE PACKAGE

All-in-one: phone, programming,  
air-time set-up included

### GREAT ASSORTMENT

We sell cellular phones  
for every need

Activation and minimum service required

### FACTORY AUTHORIZED SERVICE AND INSTALLATION

### YOU CAN BUY TODAY

On SearsCharge and make  
**NO PAYMENTS UNTIL NEXT YEAR! \***

\* No monthly payment until January 1990 on  
Sears Deferred Credit Plan. There will be a  
finance charge for the deferral period.

▲ Your actual monthly payment can vary  
depending on your account balance.

## FREE PREMIUM EMERGENCY ROAD KIT! \*\*

Stay in touch and stay safe with  
Sears and Bell Atlantic Mobile Systems!

From August 1, 1989 to September 30, 1989 when  
you purchase any cellular phone with activation of  
Bell Atlantic Mobile service you get an emergency  
road kit free! \*\* Just clip this coupon and bring it in  
to your nearest Sears store.

**\$30-value kit includes jumper cables,  
flares, tire inflator/sealer and much more!**

\*\* Qualified customers will receive  
emergency road kit by mail upon  
activation of Bell Atlantic Mobile  
service. Limited offer. See store for  
complete details.

# \$30 VALUE

# Hampered.



# Pampered.



Four walls do not  
a hotel room make.

At least not at  
Marriott Suites.

For the price of  
your usual hotel room,  
we give you an  
unusual hotel room.

One that comes  
with a comfortable  
bedroom and a whole  
other room to work  
in, meet in, eat in...  
or just sit around  
thinking how good  
it feels not to be  
boxed in.

NOW OPEN IN  
MIDTOWN ATLANTA  
INTRODUCTORY RATE

**\$119\***  
\$69 WEEKENDS\*\*

## Marriott Suites

Atlanta Midtown • Atlanta Perimeter • Chicago Downers Grove • Chicago O'Hare • Newport Beach, CA • Scottsdale, AZ.

Opening this month in Wilmington, Delaware. Opening October in Costa Mesa, California.

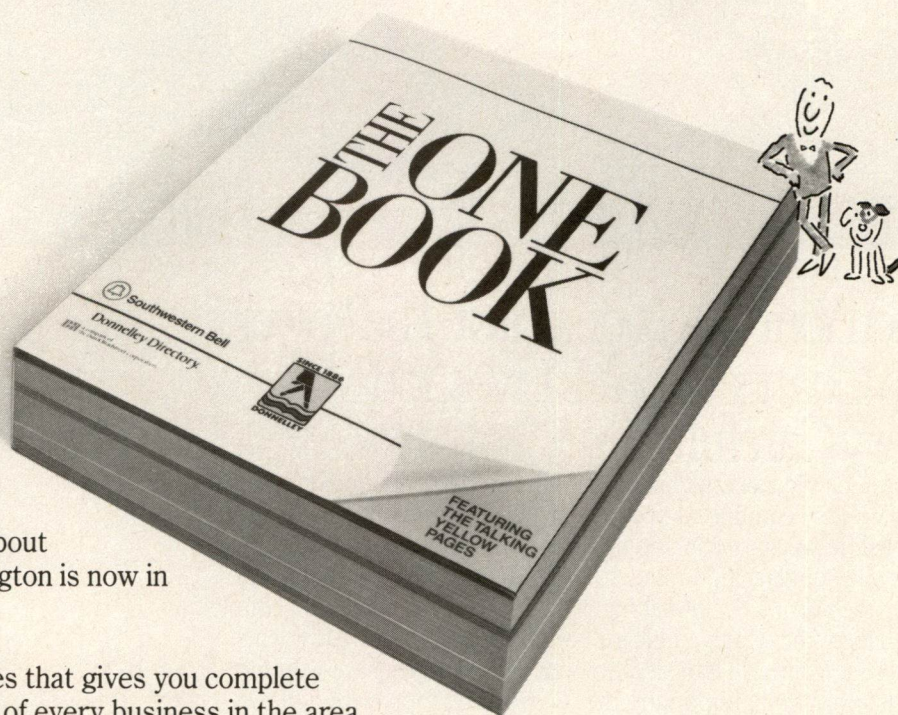
Corporate Rates range from \$99-\$139 depending on location. Lower weekend rates available.\*\*

For reservations and information, call toll-free 1-800-228-9290.

\*Atlanta Midtown only-through September 16. \*\*Availability limited.

© 1989 Marriott Suites

# NOW THERE ARE NO SECRETS LEFT IN WASHINGTON.



Everything you'd ever want to know about metropolitan Washington is now in one book.

The One Book.

A new yellow pages that gives you complete and accurate listings of every business in the area.

Special expanded listings for fast access.

Maps, community guides, and coupons for easy shopping.

Or try the Donnelley Talking Yellow Pages for hundreds of free, up-to-the-minute messages on news, entertainment, sports, and shopping.

Look for the complete list of Donnelley Talking Yellow Pages codes in your new One Book. It will be on your doorstep soon. Just stick the attached sticker to your phone and dial the access number followed by the four-digit number of your choice.

The One Book.

It leaves nothing uncovered.

The Talking Yellow Pages is an exclusive service of Donnelley Directory. DowPhone is a service mark of Dow Jones & Company, Inc.

© Venture One 1989

The One Book and the "Wilbur" and "Van Gogh" characters are trademarks of Venture One.

POLICE \_\_\_\_\_  
DOCTOR \_\_\_\_\_

THE ONE BOOK THE TALKING YELLOW PAGES  
ACCESS NUMBER **816-1616**

DOWPHONE® SPORTS REPORT 2 2 2 2

WEATHER 2 4 0 0

NEWS \_\_\_\_\_

EACH CALL IS FREE

**THE ONE BOOK. IT'S EVERYTHING IN ONE YELLOW PAGES.**



Kettler Brothers, Inc.



## When Your Decisions Have The Power To Change People's Lives, You Make Them Very Carefully.

No one is more aware of the impact development can have on an established community than Kettler Brothers, Inc. That's why we're so committed to ensuring our impact is positive.

Long before we start drawing up plans, we work closely with area leaders until we fully understand unique social, economic and environmental dynamics. Only then do we begin making decisions which will create a community that enhances the quality of life for both present and future residents.

As a result, for nearly four decades, our communities have won top industry awards. Even more important, they've won the appreciation of residents, neighbors and lawmakers alike.

So, if you hear that Kettler Brothers is coming to your community, remember we're bringing a rare combination of experience, expertise and respect. To invite us to join you in making the kind of careful decisions that change people's lives for the better, call (301) 948-4000.



EQUAL HOUSING OPPORTUNITY

We Develop  
More Than Real Estate.

Wounded once in Vietnam, later commanding an infantry battalion and an airborne brigade, he advanced to become the fourth black to reach four-star rank in the armed services. In 1983, Defense Secretary Caspar Weinberger tapped Powell, who was then in the Pentagon, to be his military adviser. Four years later, Powell was asked by President Reagan to join the National Security Council staff, and he succeeded Frank Carlucci as national-security adviser in November, 1987. Powell is credited with helping to rebuild the NSC after the Iran-Contra debacle. He is, however, known to have been heavily involved in planning Reagan's failed attempts to oust Panama's Gen. Manuel Noriega.

**Heading for stardom.** Younger than most of the 30 other contenders he leapfrogged, Powell lacks the lengthy experience as a combat general some see as necessary for the JCS chairman's job. But these times may require more of a soldier-diplomat as the President's key military adviser, and Powell fits that bill so well that he may become a star amid Bush's low-energy foreign-policy team. Powell's admirers say that his strengths are an icy realism, a keen understanding of how Washington works and an uncanny ability to build consensus.

As she moves into the officer corps, Kristin Baker, unlike Powell, will run smack into the longstanding laws prohibiting women from serving under fire in combat roles. Since the route to the top is traditionally through combat command, many women in the military believe their careers are stymied because men do not regard women as leaders, according to an internal Pentagon study. Women constitute about 11 percent of the military's 283,000-person officer corps, a figure that matches the percentage of officers representing racial minorities. But fewer than 1 percent of the admirals or generals are female, as opposed to nearly 5 percent for minority men. Meanwhile, Congress continues to pressure the military to let women get closer to combat, and the Defense Department says in the past two years it has opened an additional 24,000 positions to women. "Women are in a position in the military where blacks were 40 years ago," says Mark Eitelberg, a professor at the Naval Postgraduate School in Monterey, Calif. "Twenty years from now, I think people are going to look back at the combat-exclusion debate and chuckle."

Baker says her promotion has not come without resentment. "There's always going to be some resistance to change. Hopefully, that will be overcome eventually," she adds. For black men like Powell, that seems to have happened already. ■

by Peter Cary with Liz Galtney,  
Joannie M. Schrof and Peter Ross Range

## BUSH IS WARY AND HOPEFUL ABOUT THE HOSTAGES

# Beware bad deals at the bazaar

In the 13 years since 1976, only 258 days have passed when Americans were not held hostage by terrorists somewhere in the world. Since March, 1985, not a day has passed without an American in captivity in Lebanon. Terror is now woven into national life.

Yet, as the sense of immediate crisis eased over Lebanon late last week, U.S. experts in and out of the Bush administration began gingerly talking about the prospect of an end to the hostage drama. The basis for hope is a fundamental realignment of international interests and the rise of pragmatic leaders. Brian Jenkins of the Rand Corpo-

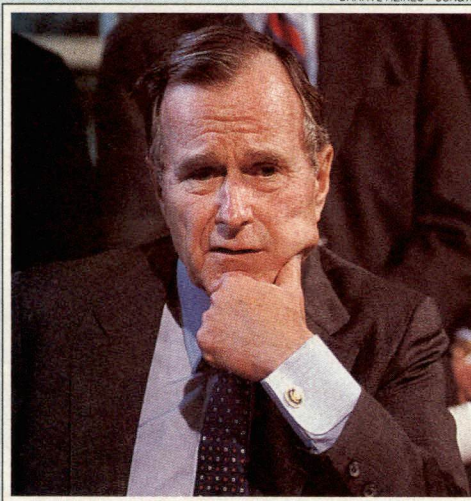
Americans and has begun exercising influence through Syria, a client state, and through Iran. In U.S. eyes, the Soviets are being helpful but will not be a decisive factor.

■ **The United States** has also begun shifting toward a more flexible stance toward Iran, partly because of new hope for rapprochement and partly because George Bush can try approaches Ronald Reagan could not consider. Though Iran is no longer as pivotal as in the cold-war period, the U.S. would like to restore some of its old ties and keep Teheran out of the Soviet orbit.

The next step in bringing home the hostages, say several experts, is to defuse the issue. In a less highly charged atmosphere, the U.S. and Iran can quietly explore better relations, perhaps using Pakistan as an intermediary, that could prompt Iran to win the release of the hostages while the U.S. would act to unfreeze Iranian assets, worth up to \$4 billion.

The trouble with this happy scenario is how easily it can unravel. Highest among U.S. fears is that one of the radical groups in Lebanon, anxious to foment trouble, will kill another American hostage, probably forcing Bush to strike back and severing talks with Iran. New tensions between Israel and the Palestinians could also throw a spanner in the works, as would a discovery that Rafsanjani is ultimately unwilling or unable to deliver on a hostage release. Bush must also worry about continuing support at home, especially on his right flank. Conservatives already grumble that he has missed his chance to use military force, and as the public learns more about Iran's backing of terrorism, such as the destruction of Pan Am Flight 103, it could be difficult to justify a rapprochement. With so many mines in his path, Bush seemed well-advised last week to feel his way along, inch by inch.

by David R. Gergen



**Slow mo.** Bush wants to proceed cautiously

ration cites important changes in three countries:

■ **Iran** has begun moving away from radicalism and, with the elevation of Hashemi Rafsanjani to its Presidency, seems more interested in Western trade and investment than in tormenting Americans. U.S. intelligence reports that by the end of this month Rafsanjani may even be able to shove aside his hard-line rival, Ali Akbar Mohtashemi. In the U.S. view, Iran lacks direct control over terrorism in Lebanon, but officials hope that the Rafsanjani faction could tip the radical Islamic groups holding American hostages toward releasing some and perhaps all of them.

■ **The Soviet Union** has been openly enlisted in the effort to free the

CHRYSLER-PLYMOUTH ANNOUNCES

# DOUBLE CASH BACK

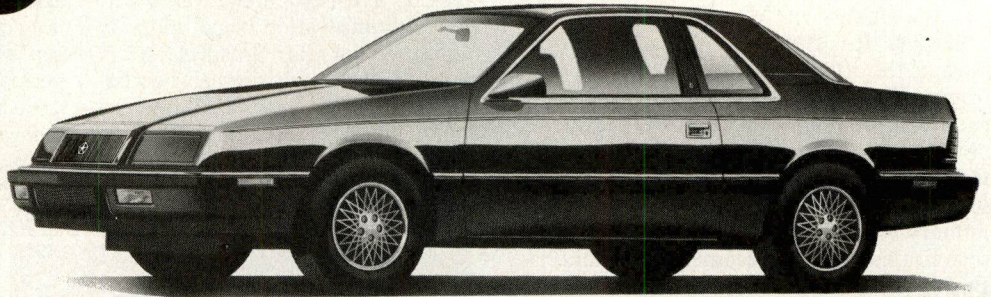
TOTALLING \$1500 ON  
PLYMOUTH SUNDANCE & HORIZON.\*

**FOR US MORE GREAT SAVINGS ON OTHER NEW '89s!**

**1650** TOTAL SAVINGS OR **0%** A.P.R.\*\*

CHRYSLER LEBARON COUPE

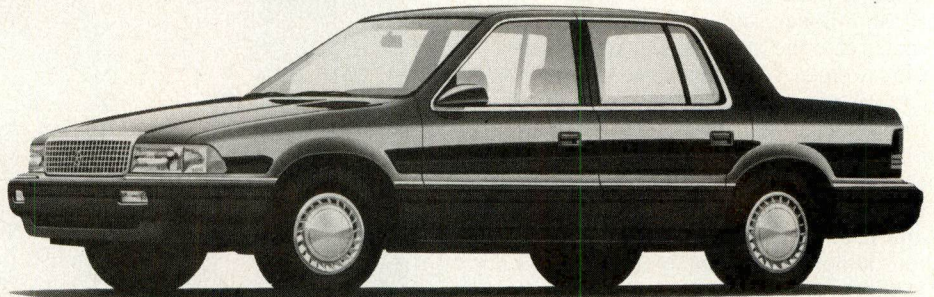
FACTORY CASH BACK	OPTION PACKAGE AAM DISCOUNT	TOTAL SAVINGS
1500	+ 150	= 1650



**1425** TOTAL SAVINGS OR **2.9%** A.P.R.\*\*

PLYMOUTH ACCLAIM

FACTORY CASH BACK	OPTION PACKAGE AWP DISCOUNT	TOTAL SAVINGS
500	+ 925	= 1425



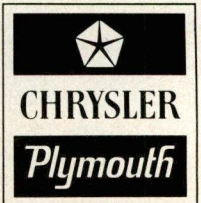
**1200** TOTAL SAVINGS OR **0%** A.P.R.\*\*

CHRYSLER NEW YORKER LANDAU

FACTORY CASH BACK	OPTION PACKAGE AFF DISCOUNT	TOTAL SAVINGS
1000	+ 200	= 1200



**HURRY IN TO SEE YOUR CHRYSLER-PLYMOUTH DEALER NOW!**



\*Sundance and Horizon (\$750 + \$750 = \$1500) on new dealer stock. \*\* Total savings based on factory cash back on new '89 dealer stock and sticker price of options if purchased separately. 1,542 Acclaims equipped with AWP Option Package nationwide. Short term A.P.R. financing is for qualified buyers through Chrysler Credit. Longer term rates are available. Option package discounts are also available with low financing offers. 17 year or 70,000 mile limited warranty covers engine, powertrain, and against outer body rust-through. See copy of this limited warranty at dealer. Some restrictions apply.



# The last city machine in America

East Chicago, Ind., is run by an all-powerful mayor. He gets things done quickly, but problems and graft persist

**R**obert A. Pastrick is so proud of the government buildings erected during his 18 years as mayor of East Chicago, Ind., that he allowed some to be named after him. There is a Robert A. Pastrick Library and a Robert A. Pastrick Marina. But his crowning achievement is the new Central High School, a modern brick citadel that stands out against the old factories and run-down bungalows that make up this small city wedged between Gary and Chicago. Special touches, like a gym with \$100,000 worth of exercise machines, make Central High at a cost of \$40 million the most expensive school ever built in Indiana. "It's a beautiful building," says Pastrick.

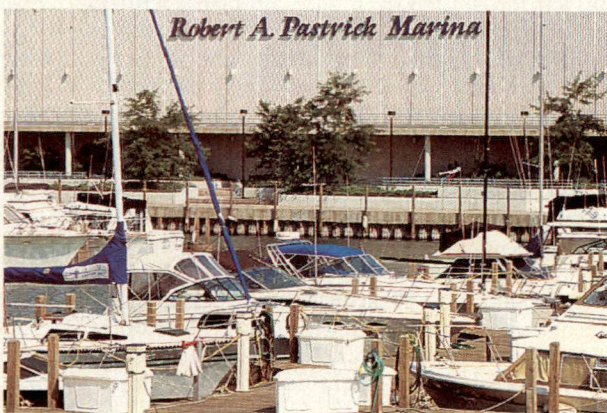
There is, however, one nagging problem. Last year, East Chicago, with the second-highest per-pupil school budget in the state, produced students with the second-lowest standardized-test scores in the state. Critics say the schools scrimp on essentials and waste money through patronage jobs. East Chicago employs four athletics administrators, for instance, while districts of similar size typically have one. Yet until last year there were so few textbooks that students were prohibited from taking their books home. Pastrick brushes off such criticism, insisting the situation is improving while blaming the poor test scores on East Chicago's lower-income parents, too many of whom, he says, "aren't interested in their [children's] education, and when you have that situation existing, it's very difficult to educate the youngsters."

**The heat goes on.** Not every mayor has the power to spend money so freely and blame voters for the poor results, but Pastrick is not just any mayor. He is boss of the most extensive city political machine left in America, the kind Pastrick's idol, the late Mayor Richard J. Daley, had in Chicago. Like Daley, Pastrick chairs his county's Democratic Party, and, as with Daley, many of those around him have been corrupt, though Pastrick remains personally untainted. U.S. Attorney James Richmond has convicted three former Lake County commissioners and two former tax assessors on corruption charges, and the probe continues.

Curiously, as urban areas throughout America deteriorate, there is a growing nostalgia for the days when powerful



PHOTOS BY KEVIN HORAN FOR US&amp;WR



**Edifice complex.** For 18 years Mayor Robert Pastrick, above, has used the proceeds from his thriving tax base to pump money into many construction projects around his city that keep a small army of city workers and contractors happy. Some of the more elaborate projects, like the Lake Michigan marina on the left, bear his name

bosses made cities work. Polls indicate, for instance, that New Yorkers doubt whether any current mayoral candidate has the power to solve that city's worst problems. A look at East Chicago shows that voters' yearnings are not altogether foolish. Pastrick's machine helps free him from the race wars and unresponsive bureaucracies that paralyze other mayors. Yet rather than use that freedom to tackle poor education and other problems, Pastrick has spent his years building monuments to his power. The darker lesson of East Chicago is that political machines with so much potential to do good can easily go bad.

With his handsome lined face and great gray eyebrows, Pastrick looks like Hollywood's idea of an old-fashioned politician. Behind his old-fashioned power is a cash cow. Businesses, such as

nearby Inland Steel, pay over 90 percent of the city's taxes, pumping more than \$400 million into the coffers of this 40,000-resident area. That allows Pastrick to dish out hundreds of city jobs to supporters, a tool that mayors of cities with eroded tax bases no longer have.

**No civil-service problems.** Pastrick also enjoys freedom from civil-service laws, put on the books in most cities early in the century, that seek to make competence, not connections, the key to municipal jobs. The downside of civil-service laws, however, is that protected employees have little incentive to follow orders swiftly because it is hard to fire them.

The responsiveness of East Chicago's bureaucracy is most obvious to those in whom the mayor takes a personal interest. Ruben Carrasquillo's year-old firm, New Way Auto Parts, is featured promi-

nently in a slide show the mayor uses to sell the city to visiting businessmen. Carrasquillo fondly recalls that a city official helped him get bank financing, while a city building inspector's advice saved him money during construction. When suppliers recently left him with a pile of empty cardboard boxes, Carrasquillo called the sanitation department. "No sooner did I hang up the phone than a truck was down here," he says.

Patronage also has helped East Chicago rise above the kind of racial antagonisms that have hurt nearby Chicago and Gary. (East Chicago is roughly 40 percent black, 40 percent Hispanic and 20 percent white.) Pastrick "spreads jobs around to various political factions, to keep those factions close to him and obligated to him," says Dewey Pearman, executive vice president of the East Chicago Chamber of Commerce. Yet, satisfying the political demands of minorities by giving them city jobs does not ensure good city services to minorities. Parks in mostly white middle-class East Chicago neighborhoods look lush and well maintained, but those in black and Hispanic lower-income sections of town are full of litter and uncut weeds. "If it snows and you don't have a committeeman on your street, you're stranded," contends city electrician Zeke Godinez.

Under enough outside pressure, Pastrick's machine responds with remarkable efficiency. When environmental lawsuits threatened the city with millions of dollars in lost federal grants,



**Well-oiled machine.** Many workers contribute to a political "flower fund"

Pastrick hired Jack Spratt, an Inland Steel executive, to shape up the badly run sanitation agency. Spratt built a new waste-water-treatment plant on time and within budget. Even the mayor's worst critics concede it is a gem. But those same critics blame Pastrick for hiring a former steelworker, John Armenta, to run the city's air-quality office, which performed so poorly that the state pulled its funding and took over the job itself.

Given such problems with the city's parks, environment and schools, why don't the voters simply elect someone else as mayor? The main reason is Pastrick's power over the electoral process. Nearly all city workers knock on doors and work the polls for Pastrick at election time, and they contribute up to 2 percent of their annual pay to a "flower fund" that Pastrick distributes to favored candidates.

**Silent opposition.** When politically challenged, Pastrick uses the power of patronage to hire his opponents. After Stephen R. Stiglich, East Chicago's former police

chief, nearly beat Pastrick in the 1983 mayoral primary, Pastrick had him appointed to the coveted post of Lake County sheriff. The mayor has similarly neutralized East Chicago Republicans by placing their chairman, Robert Cantrell, in a top schools job. The city council is largely passive because each member also holds another city job controlled by Pastrick.

In addition to securing the votes of hundreds of city workers, the machine has been

known to indulge in vote fraud, to the point where cheating is sometimes on autopilot. Last summer, a federal court convicted Elmore Harris, an East Chicago elections judge, of rigging votes in a 1986 county election. A tally sheet showed that Harris's boss, precinct committeeman Ben Gueyser, won 310 votes. Federal investigators found the voting machine recorded only 244 votes for Gueyser. What made this small crime remarkable was that no one was running against Gueyser.

East Chicago is a good example of why reformers trying to make city governments more responsive do not put much stock in a return to the machine-politics alternative. During a heated public hearing a couple of years ago, a citizen struggling to make a point about an expensive sewer-construction proposal shouted, "This is America!" "No," chuckled sewer division chief John Dobay: "This is East Chicago." ■

by Paul Glastris in East Chicago

## Chicago's sonny days

**H**e lacks the vast patronage machine that undergirded his father's power, but Richard M. Daley has enjoyed the most successful first hundred days in office of any Chicago mayor in recent memory. Politicians are fawning over him. Projects that languished for months or years, such as a downtown pier renovation, have suddenly moved forward. A once powerful black opposition has largely fallen silent because of his deft placement of minorities in key jobs.

Behind Daley's post-patronage clout is the widespread presumption that he is powerful simply by being a Daley. And he is using that strength to build his political base. Besides calming the city's racial tensions, he has carefully courted "lakefront liberals," a key voting bloc, by doing such things as marching in the annual gay-lesbian parade.

Daley has thrown his opponents further off by pushing a political agenda that is straight out of a civics text-



**Hizzoner.** Daley, here in gay-lesbian parade, has silenced foes

book. It is aimed at reforming the city's woeful schools, rooting out municipal corruption and toughening up ethics laws. The biggest test he still faces is to gain con-

trol of the sprawling city bureaucracy that in the post-patronage era often acts as if it is beyond a mayor's reach—even if his name is Richard Daley.

## 'DUELING COMMISSIONS' PLOT HEALTH CARE INTO THE NEXT CENTURY

### ■ FIXING A FRACTURED SYSTEM

Concern about the U.S. health-care system, especially its high costs and gaps in insurance coverage, has reached a fever pitch. Now, these issues are the focus of two heavyweight commissions at work in Washington: The congressional Bipartisan Commission on Comprehensive Health Care and the quadrennial Advisory Council on Social Security, the Quad Commission. The panels seem certain to propose drastically different solutions to health-care problems, prompting some observers to call them the "dueling commissions." Just which group's recommendations ultimately move to the fore could influence the shape of health care into the next century.

### ■ CLAUDE PEPPER'S LEGACY

The congressional panel, headed by Senator Jay Rockefeller (D-W.Va.) but dubbed the Pepper Commission after its original chairman, the late Representative Claude Pepper, was created in 1988 to help lawmakers work their way out of a political quagmire. Elderly voters have been clamoring for a costly new long-term-care program, even as an estimated 31 million to 37 million Americans go without health insurance. To address the demands of the politically powerful aged—but keep them from overshadowing the needs of the uninsured—the Pepper panel was designed to make recommendations for meeting both.

Rockefeller says he is determined that the panel will reach a consensus, reporting back to the full Congress in March, 1990. But getting there will not be easy. The 15 panel members (six from each house of Congress, including new member Representative Louis Stokes (D-Ohio), and three outsiders appointed by President Reagan) come from varying ideological perspectives. Moreover, many are still preoccupied with fixing medicare's new catastrophic insurance program, which has sparked a rebellion by better-off seniors slated to pay a surtax to help finance it.

Still, panel members may soon begin edging toward a comprehensive plan. Addressing long-term care, they could propose augmenting nursing-home coverage under medicaid, adding a home-care program for the aged and disabled to medicare and paying for it all with a mix of taxes on the elderly and on younger workers. For the uninsured, the panel may propose an

additional expansion of medicaid to cover health care for more of the poor. Panelists also seem increasingly interested in broadening employer-paid health insurance to cover more workers, as commission member Senator Edward Kennedy (D-Mass.) has proposed. They may suggest that businesses be required either to insure their workers or pay taxes to finance care for the uninsured.

### ■ A DRASTIC OVERHAUL?

Those proposals could prove popular with beneficiaries, but they would also provoke attack from businesses and from states already concerned about their rising medicaid outlays. An alternative might be a radical overhaul that would dramatically reallocate the costs of health care. Considering such bold strokes is the mandate for the Quad Commission, a panel of prominent citizens and experts convened every four years to review Social Security and medicare. The panel is now headed by Washington lawyer Deborah Steelman, a former campaign aide to President Bush.

Scheduled to report by July, 1990, the Quad panel will address such problems as the possible bankruptcy of medicare's hospital-insurance trust fund in the late 1990s. But its overriding goal is to "stretch the thinking in Washington" about revamping health care, Steelman says. Among other options, the council could propose scrapping the current system and creating a health-insurance "continuum" that would protect people from birth to death. Individuals (including retirees) and employers would pay for all necessary health care up to an affordable lifetime dollar threshold. In turn, the federal government would insure "high risks," such as astronomical expenses for long-term care, while sharing with the states the cost of care for the poor and disabled.

Whether such an iconoclastic plan could prevail over the Pepper Commission's is far from certain. Those empowered to write the laws sit on the congressional panel, not the Quad Commission. But Steelman's panel has been given the Bush administration's blessing to be bold. Given the dire state of the health-care system, blue-sky thinking may be just what the doctor ordered.

by Susan Dentzer



**New leader.** Party chief Jiang Zemin meets Gorbachev

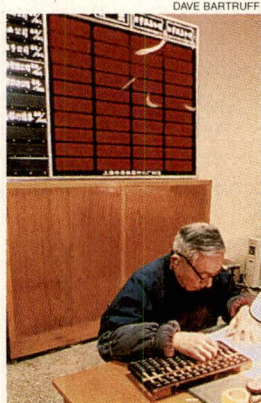
*The crumbling colonial facades of Shanghai and the glass towers of Hong Kong (page 36) appear worlds apart, but the two share a mercantile tradition—and now, an uncertain future*

## Bright lights fade in China's big city

**E**ven Deng Xiaoping was once a young man. In his green years, in the 1920s, he went off to Paris and returned to work underground for the Communist Party in Shanghai, a city then so stylish that it supposed itself to be the "Paris of the East." Now, Deng is in his dotage, and the Shanghai of his final years does not much resemble Paris.

The rest of China has never trusted Shanghai, with its cosmopolitan airs, and today the city is feeling the weight of the rigid commissars who have corked China's effervescent democracy movement. The signs are subtle, however. If anything, life on its streets looks more promising and progressive than it did two years ago. One month after the shootings in Beijing, workmen were busily digging sewers, reroofing houses and shops and climbing bamboo scaffolding on countless new buildings. Shanghai's skyline in 1989 is like Houston's in 1979, with scores of new skyscrapers zooming up. Houston's buildings were begun when

the price of oil was near \$40 a barrel, and were opened—or foreclosed on—when it fell to about \$10. Shanghai's building boom, including a \$200 million extravaganza of offices and condominiums from Atlanta's Portman Companies, is similarly out of phase with events, reflecting optimistic assumptions about China's and Shanghai's economic future that few people now share. The CIA last week predicted that China's political crackdown will only aggravate the country's already serious economic problems, distract the leadership from solving them and encourage the military to hog more scarce resources.



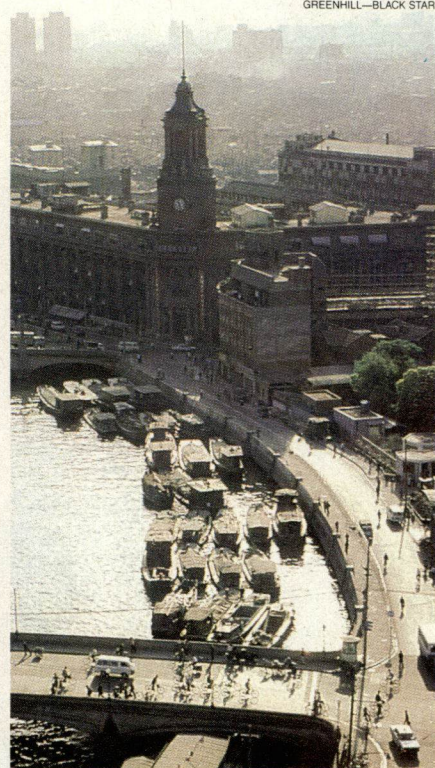
**Shanghai's Wall Street**

**What next?** Three questions, all of them for the moment unanswerable, will determine whether Shanghai has businessmen to fill its new office buildings, or ever has phones and sewers suitable to a modern metropolis. The first is how far China will go in reversing the political and economic reforms of the last decade; the second is how foreign governments and business will respond; the



third is whether Shanghai will again become a scapegoat for Beijing.

The Chinese Communist Party was born in Shanghai and the Red Guards got their start there, but these contributions to Marxist progress never won Shanghai the trust of the government in Beijing. Everything Mao Tse-tung's Communists said they were fighting against seemed to be on display in pre-revolutionary Shanghai. It was a center of industry and capitalist commerce, the one Chinese city with a real skyline dominated by trading houses and banks. It was a center of foreign influence, a symbol of China's impotence against the Western World. This largest of China's cities was carved into zones where the laws of Britain, France and America, rather than those of China itself, held sway. And it was the purist center of the decadence that Marx and Mao said Western capitalism would bring. The most stylish structure, the urbane art-deco tower of the Cathay Hotel (now known as the Peace), was built with money the Sassoon family of England had extracted from China through the opium trade. Tubercular coolies coughed their lungs out as they ran along Bubbling Wells (now Nanjing Road), hustling huge blocks of ice toward the foreigners' mansions to cool the swim-



**Hard times.** Buyers must line up before dawn to shop on Shanghai's Nanking Road, and poverty, not pride, has preserved the scenery from a cosmopolitan and controversial past

ming pools. "Its apogee from the 1890s to the 1930s coincided with the nadir of Chinese national pride," said a report called "Life in the Big City," from the U.S. consulate in Shanghai. "The idea of Shanghai is linked historically in the Chinese consciousness with corruption and foreign domination."

Shanghai has paid for its sins before. It remained Communist China's industrial core, the seat of its entertainment, fashion and automobile industries. But the money that Shanghai manufacturers made was drawn north to Beijing, to be redistributed by the modern mandarins. Ironically, foreign tourists have been the real beneficiaries of Beijing's determination to bleed Shanghai. While Beijing bulldozed, razed and paved its old precincts, throwing up block structures as if trying to make China's capital resemble Joseph Stalin's Moscow, Shanghai lacked the money to rebuild or even tear down what the colonialists had left behind. Until a few years ago, much of the city looked like scenes from the movie "Empire of the Sun," in its squalor and in its suburban verdure. The city's residents, unlike the tourists, did not think it charming that their city had been frozen in time. "To the extent they regard Shanghai favorably, they do so for its

modernity," Life in the Big City said. "There is little nostalgia for the colonial era. Given enough money, most Shanghainese would gladly tear down the old mansions and put up skyscrapers."

**A new Shanghai?** That is exactly what Shanghai got the chance to do starting in the mid-1980s. In a city known for faded-grandeur hotels like the Peace and the Park, a high-rise Sheraton opened, followed last year by a taller and more elegant Hilton in the heart of the old French concession. Shanghai became a focus for industrial joint ventures, especially with American high-tech firms. McDonnell Douglas agreed to help teach China how to assemble modern airliners; 40 years after he fled Shanghai for the United States, the computer pioneer An Wang brought Wang computers back to his original home. Shanghai's planners also dream of restoring the city's long neglected and hopelessly overtaxed infrastructure. Their new Shanghai would have a subway system, working sewers, a telephone network that, if everything went right, would provide 9.5 phones for every 100 people by 1990. It would build a research park for scientists outside the crowded heart of the city, and revive the Shanghai Stock Exchange.

But even before this June's repression in Beijing and the executions of railroad saboteurs in Shanghai, the economic climate had chilled in Shanghai, as it had in the rest of China. Western businessmen and diplomats—that is, virtually the only people in Shanghai who will speak with foreign reporters now—say that starting early this year it has become harder and harder to get commitments from the Chinese government, which is increasingly strapped for cash. Heinz Schwander, a jaunty German who manages the Hilton with a "Grand Hotel" flair—"I kept my violinists playing through the troubles, people will remember these things"—said the government is obviously more desperate for hard currency. His hotel is the leading hard-currency earner in Shanghai: "When we traded our dollars or foreign-exchange certificates each day, suddenly they were like gold."

The signs that political repression is weighing heavily on Shanghai are evident in other ways. In happier times, it was not unusual to be stopped on the street perhaps 20 times a day by people wanting to speak English. Now, only one person stopped in five days, after dark, in an alley where no one else could see. Businessmen report a sharp increase in politi-



# THE FOUR-WHEEL DRIVE THE HILLS AND

## 1989 FORD BRONCO II.

*Eddie Bauer*

Take your pick. The plush hills of Beverly or the rough terrain of Baja. Either way, if you've got a Ford Bronco II Eddie Bauer, then you've got it handled.

HEAD FOR  
THE HILLS WITH STANDARD  
TOUCH DRIVE.

Now when you need to shift into 4-wheel drive you can do it at the touch of a button. Because now all Bronco II 4x4's come equipped

with standard Touch Drive that lets you go from 2-wheel to 4-wheel drive on the move just by pressing a button. And when

you're climbing those hills, you'll be doing it with fuel-injected V-6 power. Bronco II is also available in a 2-wheel drive model.





# VEHICLE THAT CAN HANDLE THE VALETS.

## HEAD FOR THE VALETS.

Bronco II's available Eddie Bauer Package comes with specially designed upholstery and paint plus the comfort of cloth Captain's Chairs. Its redesigned instrument panel and available column shift automatic transmission are only two of the features in its comfortable interior. Any way you look at it, Bronco II Eddie Bauer is loaded with features and style. Bronco II's other "dress-up" choices include an XL Sport Model and Special Value Packages.

<b>MODELS:</b> Eddie Bauer...design edition. XL Sport... sporty performance look. XLT...value package. XL...fun-to-drive action.
<b>MAJOR STANDARD EQUIPMENT:</b> Power Steering; Power Brakes/Rear Anti-Lock; Gauge Package (Fuel, Temp., Oil, Volt.); AM/FM Stereo W/Clock; P205 15" All-Season Radials; Gas-Pressurized Shocks.
<b>DRIVETRAINS:</b> 2.9L EFI V-6; 5-Speed Manual O.D.; 4-Spd. Column-Mounted Auto. O.D. Opt.
<b>MAXIMUM TRAILER WEIGHT RATING:</b> 2WD Model—5000 lbs.; 4WD Model—4900 lbs.

**6/60 POWERTRAIN WARRANTY.**  
Covers you and future owners, with no transfer cost, on major powertrain components for 6 years/

60,000 miles. See your dealer for terms of this limited warranty.

## QUALITY IS JOB 1.

Our goal is to build the highest quality cars and trucks in the world.

Buckle up—together we can save lives.



**BRONCO II**  
BUILT FUN TOUGH

cal surveillance at their factories. At the McDonnell Douglas plant, for instance, one manager said, "There's been a big increase in the hours of indoctrination per week, held right in the factory."

**Surprising response.** Foreign reaction to Beijing's crackdown is constantly evolving, but it so far has contained one predictable and one surprising development. The predictable event is that businesses have behaved very differently, depending on whether they have already sunk money in China or are still considering doing so. The surprising fact, in light of Japan's muted response to the Chinese crackdown, is that Japanese businessmen seem not to have returned to Shanghai any more rapidly than have their American or European competitors. Japanese firms generally have concentrated on trade with China, rather than investment there; this leaves them with less money at risk and less reason to rush back. In the time-honored way of dealing with foreign devils, the Chinese government, meanwhile, has figured out that competition among Japan, the U.S. and Europe is for now its best weapon. In early July it began dispatching messages warning reluctant foreign companies that if they did not invest now, when China needed them, they could forget about investing later, since the business would go to someone else. The first big showdown was over the Shanghai subway contract, worth nearly \$1 billion. A German firm had won the main contract after fierce bidding, but when the German government suspended a "soft" loan, the Chinese threatened to bring in other bidders.

Shanghai's treatment at the hands of its own government is also difficult to predict. The new chief of the Chinese Communist Party, Jiang Zemin, is a former mayor of Shanghai. Yet the natural logic of China's new policies—recentralization of political power, reimposition of political controls, new suspicion about foreign influence—runs directly counter to the measures that were building Shanghai's business base.

And the business of Shanghai has always been business. In 1854, an improbable Bible-waving group known as the Taiping rebels rose to protest the Chinese Emperor's iniquitous rule. Imperial soldiers slaughtered at least 2,000 of the rebels, and 66 heads (plus a few complete bodies) were mounted throughout Shanghai to reassure nervous citizens that the Emperor would not permit the rebellion to endanger their precious prosperity. China's emperors have again dispelled any doubts about their ability to maintain control, but this time Shanghai has little reason to rejoice. ■

by James Fallows in Shanghai



New worries. Protest against China's crackdown

## Will the last one to leave please turn out the lights?

*A jittery Hong Kong wonders where the lifeboats are*

**F**amously apolitical Hong Kong has undergone a personality change since the Tiananmen massacre. Local Chinese have found that they are not pure economic animals after all. First, they surprised themselves by mounting the world's biggest demonstrations in support of their Beijing cousins. Then, pro-Beijing fellow travelers and single-minded moneymakers suddenly joined with human-rights activists in demanding guarantees against unfreedom after Hong Kong reverts to China in 1997. One form of insurance, now supported by 80 percent of Hong Kongers, is democratic self-rule. A more reliable kind, which just about everybody wants, is a passport to safety abroad.

Hong Kong people have been migrating in increasing numbers ever since the early 1980s. Today, Tiananmen is turning a flow into a flood. Between two thirds and three quarters of professionals, executives and entrepreneurs say they intend to leave, compared with less than 50 percent of the same group in January. Last month, when Singapore offered to take in 25,000 Hong Kong people over eight years, 12,000 applicants stormed the consulate in the first hour. Waiting lists and lines at some other consulates are 10 times longer than they were before the crackdown. Emigration this year will be as high as the rest of the world allows it to be—perhaps double last year's 45,000.

The search for security has taken bizarre forms. A legislative committee is

considering buying an island to build a new Hong Kong off Scotland or Australia. Local worthies have proposed asking China to extend its lease or inviting the United Nations to move to Hong Kong. The most provocative proposal is a declaration of Hong Kong's independence.

But the most popular demand is for "right of abode" in Britain for all Hong Kong people, which would allow them to remain in Hong Kong with an assured lifeline should disaster strike. Margaret Thatcher's answer: No way.

**Colonial democracy.** With confidence in this showcase of capitalism at a five-year low, mirrored by falling stock and land prices, even the Hong Kong government has joined the outcry

against Britain for rejecting the right of abode. This is the first time in memory that a British governor and his cabinet have confronted their masters in London head-on. They also have declared themselves ready to go along with an accelerated schedule for direct elections to the colonial parliament, even if this means directly defying Beijing. Last month, Hong Kong legislators voted to double the number of members (20 out of 60) to be directly elected in 1991. Liberals and conservatives are still battling over whether to opt for a fully elected legislature before 1997. Despite moves toward greater democracy, resentment of Britain may grow. Some observers are predicting outbreaks of violence as Hong Kong's economy slows in response to the crisis in



Hong Kong's Wall Street



**High rollers.** Even a gold Rolls-Royce is no substitute for a good passport

China and as political frustration mounts.

As holders of British Dependent Territory passports, about 3.3 million Hong Kongers have a direct claim on Britain. But these documents convey neither British nationality nor the right to live in Britain. Thatcher and her ministers insist that taking in these millions is unthinkable, because Britain's insular voters wouldn't permit it. The government remains resolutely unconvinced by polls in Britain showing that 60 percent favor admitting all Hong Kong passport holders, by polls in Hong Kong showing that only 6 percent want to go to Britain anyway, or by a report showing that Britain would profit from a large-scale influx of skilled Hong Kong workers.

Official resistance is partly based on

secret calculations which suggest that by 1997 the real number of potential immigrants from Hong Kong, including their immediate relatives in China, could be as high as 6.8 million. That's as many as all the people in Hong Kong today with the population of Brussels thrown in.

Brussels may, in fact, be one of the keys to an insurance policy for Hong Kong. Britain already has started feeling out its Common Market colleagues, along with Australia, Canada and the United States, on ways to cope with a Hong Kong exodus. The aim would be to enable people to remain in Hong Kong by offering them the promise of safe haven if things turn sour. France has done this by offering delayed-action entry permits to about 100 employees of French companies in

Hong Kong. Most countries, however, including the United States, Canada and Australia, require would-be immigrants to establish residence as soon as they are granted visas. Several bills before Congress would raise the U.S. quota for Hong Kong from 5,000 to 10,000 or 20,000 a year. But any credible international emergency plan would require much larger quotas, and adopting them would only accelerate the exodus from Hong Kong.

**Losing sympathy.** So far, Britain has done little to induce its allies to share the burden. Its Hong Kong package is likely to offer only about 25,000 places, mostly to people who could move elsewhere. And Hong Kong and Britain have both lost sympathy lately, especially in the U.S., by insisting on sending back unwanted refugees from Vietnam. Ultimately, however, Britain has some leverage: Once European barriers go down in 1992, any Hong Konger with British citizenship will be able to move anywhere in the EC.

Britain's Hong Kong solution, expected last month, has been delayed while new Foreign Secretary, John Major, learns the ropes. Major is promising that Britain will take a tough line in its talks with China in September, demanding that Beijing pledge to keep its Army out of Hong Kong after 1997. This has become a sensitive point in Hong Kong, for obvious reasons.

But British hopes overlook that it was Deng Xiaoping himself who insisted that Chinese troops must be stationed in Hong Kong. They also suggest that Britain is not listening very closely to ominous noises from Beijing.

Although China has been bending over backward to convince tourists and businessmen to return, it has been trying to intimidate political activists in Hong Kong. A few weeks ago, the *People's Daily* warned that China's commitment to 50 years of capitalism and autonomy in Hong Kong is conditional on good behavior there. What China will not tolerate, the party paper explained, is not only Hong Kong support for China's dissidents but also formation of a political party by local liberals.

The British are now proposing to shore up or at least to codify Hong Kong's freedoms by enacting a Bill of Rights, which they say does not need China's O.K. This has been welcomed in Hong Kong, along with British readiness to push China for democratizing changes in Hong Kong's constitution-to-be, the Basic Law. But Hong Kongers will not be diverted from demanding the concession that matters most. The leading campaigner for democracy, Martin Lee, says it Patrick Henry-style. "To give us democracy right now without giving us passports is to give us death." ■

by Emily MacFarquhar

# The internecine war of the West Bank

Palestinians in the occupied territories are killing each other

**S**abah Kanaan knew she was going to be murdered. The 32-year-old single mother had been accused of collaborating with Israeli intelligence and of promiscuity. A Palestinian "shock committee" broke into her home in the West Bank city of Nablus and held her prisoner for three nights while they brutally beat her. Taken to a hospital by neighbors, Kanaan denied all the whispered charges against her and told reporters "they will never let me live." Two months after she was released, her bludgeoned body was found near the Nablus Onion Market, axed and riddled with stab wounds.

It was not the first such execution in Nablus. Adli al-Thalji was clad in pajamas when his corpse was found dangling from a meat hook in the market. In Gaza, Jamil Mahmud Shehede, a resident of the teeming Jabaliya refugee camp, was stabbed to death and his arm hacked off at the shoulder. A message near his body said, "Death sentence carried out against a collaborator."

In the 21 months of the *intifada*, the Palestinian uprising against Israel's occupation of the West Bank and Gaza, 40 Israelis have died in the violence and 533 Palestinians have been killed by Israeli soldiers or settlers. But street battles between Palestinian stone throwers and Israeli soldiers are declining and increasingly, Arabs are attacking one another. A recent Palestinian underground leaflet warned that the killing of Palestinians by other Palestinians is getting out of hand. At least 67 have been slain by fellow Arabs since December, 1987; 40 such killings have taken place in the past three months. Israeli officials claim 48 percent of 1,403 beatings, stabbings and attacks on property by Arabs during the first half of 1989 were directed against Palestinian, not Israeli, targets.

**Self-defense?** Palestinian leaders in the West Bank and Gaza say the Israeli statistics are distorted because they exclude stone-throwing attacks on Jewish targets, but they admit that suspected collaborators are being killed. Liquidation of informers, they claim, is self-defense, communal retribution meted out to traitors who have ignored warnings to change their ways. This frontier justice is made increasingly necessary, they charge, because the Israelis are using collaborators

to direct hit squads to *intifada* leaders—an accusation Israeli Army spokesman Col. Raanan Gissen terms "ludicrous."

Some of those murdered have been collaborators in the full sense of that ugly word: Palestinians who betrayed other Palestinians in exchange for money or favors from Israeli occupation authorities. U.S. officials say others have been common criminals. Still others have criticized or opposed the *intifada*, or simply refused to pay protection money to thugs who terrorize in its



Knife in the back. Fratricide is rising

name. But Israeli analysts insist that many of the victims of the *intifada*'s kangaroo courts have been guilty only of doing routine business with Israelis.

Israeli analyst Israel Stockman charges that the attacks are part of a "systematic campaign to intimidate." But he also believes many of the slayings are Lebanese-style roufouts that use the charge of collaboration to cover old feuds and personal vendettas. Israeli military authorities charge that was the case with some of the 10 recent stranglings inside the bleak Ketziot detention camp, where Israel now holds 2,000 Palestinians. Palestinians allege that those killed were snitches.

At the same time, Palestinians freely admit that some killings have been "mis-

takes." But the Israeli government charges that assassination is a tool the Palestine Liberation Organization uses to discourage West Bank and Gaza Palestinians from bypassing Yassir Arafat and dealing directly with Israel on terms for an interim settlement.

*Intifada* leaders insist the claim is an Israeli canard. They say the PLO gave its blessing to some Palestinians who recently met with Prime Minister Yitzhak Shamir; one of them, West Bank lawyer Jamil Tarifi, held a press conference to say so. Moreover, they point out, there have been no assassinations of major political figures in the territories since the *intifada* began.

**Turning on the PLO.** In fact, the rising tide of violence is turning against the PLO, too. Within a day of his press conference, the walls at PLO-backed lawyer Tarifi's home were daubed with so many threats to his life, reportedly from more-radical Palestinian groups, that he left town. Cars belonging to PLO leaders in the West Bank city of Ramallah have been mysteriously burned. And just last week, anonymous pamphlets accused 12 leading Palestinians, including Radwan Abu Ayash, considered a central leader in Arafat's Fatah organization, of embezzling "millions of dollars allocated for the *intifada*." According to Israeli Army intelligence, various Palestinian factions have organized rival hit teams in the occupied territories. Palestinians accuse Israeli intelligence operatives of the attacks and of the distribution of the leaflets in an attempt to cause internal dissension in Palestinian ranks.

A few accused collaborators have retaliated with their own brand of Wild West Bank justice. Ali Najjar, who openly worked for Israel's military administration and was driven out of his village of Yaabad, recently returned with an armed band of his own. According to Israeli analyst Stockman, Najjar imposed a curfew on his hometown and ambushed several of his erstwhile neighbors. The Israeli Army did not intervene.

Alarmed by the situation, the *intifada* leadership recently issued two directives calling for killing "only in extreme cases of collaboration, and after full, thorough and irrefutable evidence is available and after gaining approval from the highest levels of Palestinian leadership."

The danger is that the *intifada* already has spawned a self-defeating wave of violence no one can control. ■

by Richard Z. Chesnoff with Daoud Kuttub and David Makovksy in Jerusalem

## OLD RESTRAINTS WILL PLAGUE JAPAN'S NEW PRIME MINISTER

TOKYO • MEXICO CITY • WELLINGTON

### ■ WHERE'S THE BEEF?

Japan's new Prime Minister, Toshiki Kaifu, intends to move quickly to deal with his two overriding priorities--restoring the ruling Liberal Democratic Party's falling political fortunes and ending diplomatic drift abroad. But the odds are against him. Cynics already are dismissing him as a mere caretaker.

Fresh attributes seem to be Kaifu's greatest strength. He is a youthful 58, articulate and unscathed by the stock scandal that has riddled the leadership ranks of the LDP and cost it control of the upper house of the Diet. To help defuse the party's troubles with female voters, he has named two women to his cabinet. To mollify irate consumers, he plans to modify the unpopular 3 percent sales tax by reducing its impact on food and education costs. To try to reduce trade friction with the U.S., he hopes to visit Washington as early as next month.

But Kaifu will need more than style and good intentions to win over a skeptical public or to hold sway over LDP veterans. With no political base of his own, Kaifu owes his nomination to the same back-room politics that he now pledges to reform. Given that indebtedness, it's unlikely Kaifu will be able or willing to dominate the party's inner councils where strategy is charted. That augurs few policy shifts. Kaifu also must face a bolder, opposition-dominated upper house eager to force elections for the more important lower house. The opposition seems sure to challenge Kaifu's every legislative move.

How long will Kaifu last? In order to retain power, he must initiate reforms, win a two-year term as President of the LDP at its October convention, call early elections and lead his party to victory. He may accomplish one "must," maybe even two; achieving all seems impossible.

### ■ THE U.S.-MEXICO HONEYMOON

Once again, there's a lot of talk about the dawning of a new era in U.S.-Mexican friendship. Previous new beginnings soon gave way to indifference or ill will. Is this one any different? Maybe so.

While little of substance resulted from Secretary of State James Baker's visit to Mexico City, consider this evidence of the warming climate, much of it generated by

changing attitudes south of the border: Mexico is upbeat about reducing its debt burden after its recent agreement in principle with creditors to adopt U.S. Treasury Secretary Nicholas Brady's debt-reduction formula. Mexican irritation with U.S. Central American policy has turned to grudging, albeit not total, acceptance. Washington, for its part, is delighted with Mexico's economic reforms, crackdown on drug traffickers, offers to probe money-laundering schemes and efforts to check the flow of illegal workers.

If there is one big reason for the honeymoon, it's President Carlos Salinas de Gortari's conclusion that strong economic ties to the U.S. are essential to Mexico's own economic and political stability. Still, even the best aims can go awry. Mexico will be counting more than ever on firm U.S. economic backing. Anything less could leave it floundering and its relations with the U.S. a target of the usual mischievous nationalists.

### ■ STATUS QUO IN NEW ZEALAND

Frosty relations between the U.S. and New Zealand aren't about to thaw anytime soon, even though America's antinuclear nemesis, David Lange, is no longer Prime Minister. Successor Geoffrey Palmer is committed to maintaining the Labor government's ban against letting ships armed with nuclear weapons enter New Zealand ports, and 8 out of 10 of his countrymen now back him up.

Lange, whose strident antinuclear stance angered the U.S. and effectively wrecked the ANZUS (Australia-New Zealand-U.S.) defense alliance, resigned unexpectedly as a result of ill health and intraparty wrangling. He was especially irate over the re-election to the cabinet of former Finance Minister Roger Douglas, a free marketer whom Lange fired some time ago.

Palmer, more cautious and less colorful than Lange, seems sure to steer a moderate course at home and abroad. He will drop Lange's radical antinuclear rhetoric and seek early talks with U.S. officials in a bid to improve ties. But with elections slated for next year at the latest and public sentiment solidly behind the nuclear ban, there is little room for compromise with Uncle Sam.

by Gerson Yalowitz with foreign-bureau reports

# General Motors reinvents the wheel

Retiring Chairman Roger Smith leaves America's largest firm with little margin for mistakes

**W**hen Roger Smith took the helm of a troubled General Motors nearly a decade ago, he had to overhaul the world's biggest auto maker. GM had lost \$726.5 million in 1980 and faced an onslaught of foreign competition. Today, the company is making money again. GM's 1988 profits hit \$4.8 billion, helped by Smith's multibillion-dollar cut in operating costs, and the company has some promising products in the pipeline. But much of the growth in profits has come from acquisitions and international sales. As Smith prepares to retire next summer, GM still is struggling to boost its domestic-car business.

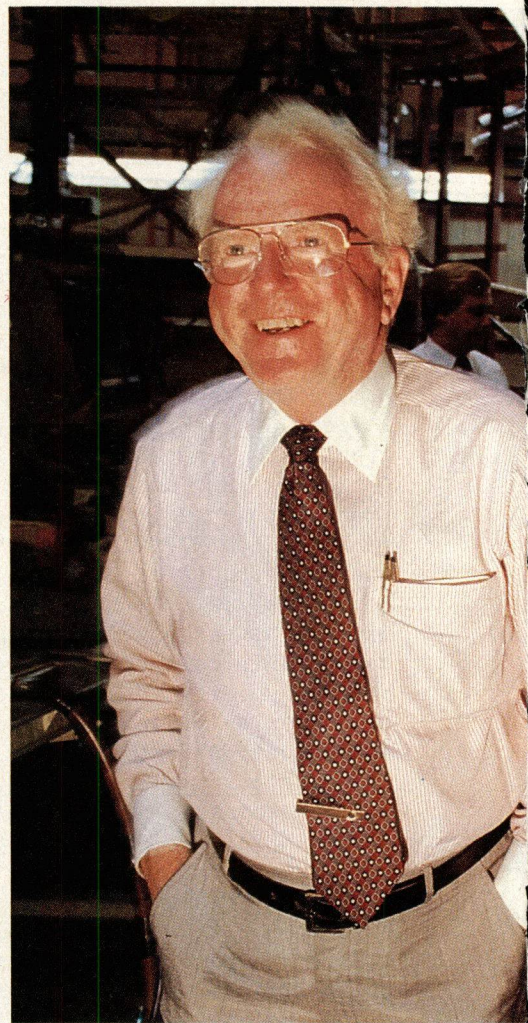
**Wary buyers.** Smith had pinned his hopes on multibillion-dollar, automated factories as the best way to lower production costs, keep retail prices under control and improve competitiveness against unprecedented low-cost foreign competition. In the process, GM paid inadequate attention to quality improvement and their historically respected automotive design—factors that have helped Ford Motor Company win new fans and outearn GM for the first time in decades. GM's U.S. market share, meanwhile, has declined 8 points since 1984, to 36 percent. Smith still believes in the importance of advanced technology, but he acknowledges that it is not a magic bullet capable of solving all problems. His legacy is likely to rest on how well he lays the groundwork for creating a company that depends as much on teamwork as it does on technology. "We've been ignoring our best resources," concedes Smith. "This is not a one-man corporation; we run as a team and the team is important."

Nowhere was the need for teamwork more evident than at Cadillac. When GM opened its sprawling Hamtramck plant in Detroit in 1985, the robotized assembly line was to be the cornerstone of Smith's high-tech gambit. But the machinery had been bought without enough input from the employees who would have to make it work, and news soon spread of robots painting each other instead of the cars. Cadillac's prestigious name was diminished when the division shortened its cars, misjudging its customers' penchant

for size, and when it misread the market with its new \$55,000 Allanté model.

Four years later, both Cadillac and the Hamtramck factory are making an impressive comeback. Part of the plant has been cleared for bleachers where employees gather to study competitors' vehicles and to pore over quality charts. Designers, engineers and workers collaborate on better, easy-to-assemble designs. A hot line to dealers provides instant feedback on customer complaints so that Hamtramck can fix problems before more cars roll off the line. Those efforts earned Cadillac a No. 5 rating on the latest J. D. Power & Associates customer-satisfaction index, a five-place leap from the mid-1980s.

GM's current challenge is to take the lessons from Cadillac companywide, and it isn't going to be easy. In the mid-1980s, GM invested \$40 billion in automation and acquisitions. But the addition of data-services conglomerate Electronic Data Systems and Hughes Aircraft, acquired by Smith in part to strengthen GM's technological base and its claim on high-tech talent, understandably diverted attention from GM's core business: The manufacture of automobiles. Smith's 1984 reorganization of a bureaucracy that had grown too complacent with its industry dominance led to layoffs and disaffection among managers and work-



**Change of focus.** After spending billions on

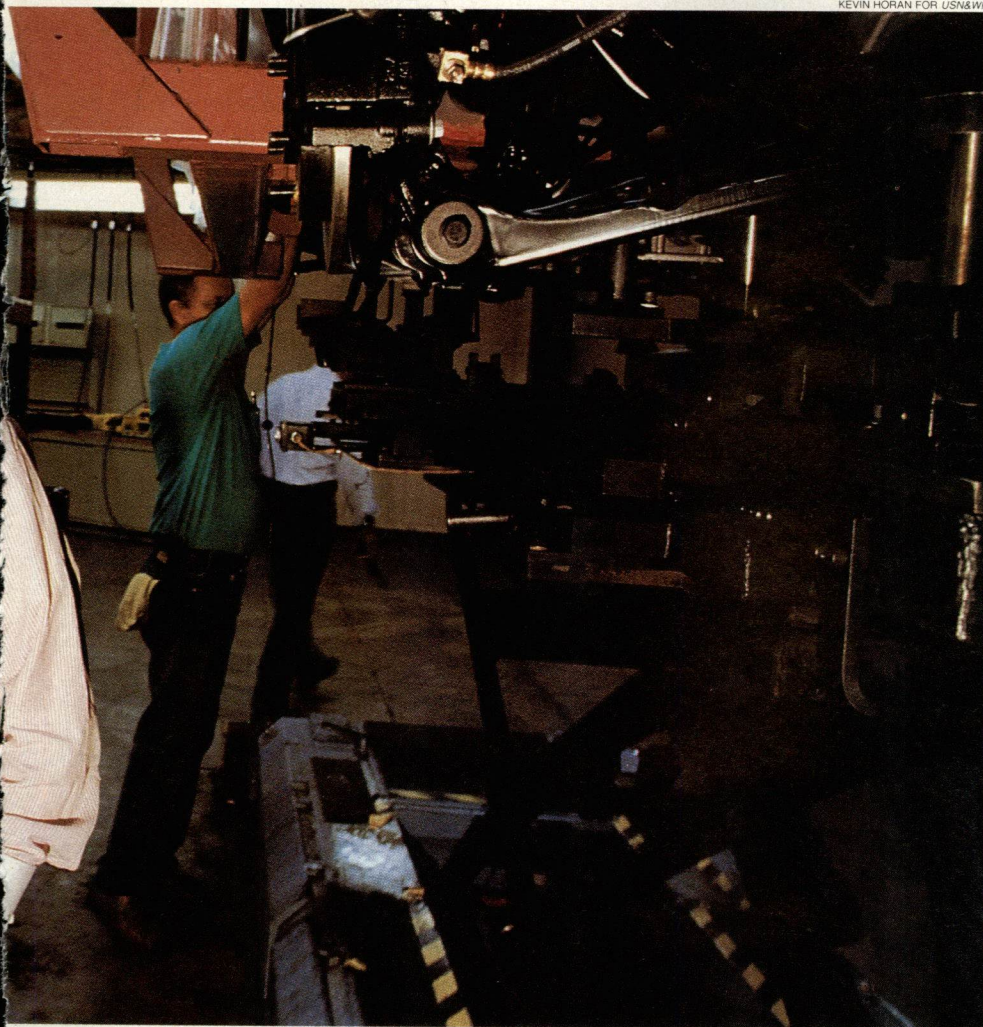
ers, without doing enough to remove bottlenecks. For example, while Pontiac managers pinpointed quality as the top priority as early as 1981 and seized on teamwork as the way to achieve it, their initiatives came to a halt when they were scattered in the reshuffling.

## At Toyota, rank loses its privileged titles

**I**t is Japan's biggest earner, controlling nearly a third of the auto market. In America, it ranks fourth after the Big Three. So why has Toyota Motor Corporation just launched one of its biggest-ever corporate overhauls, shaving two tiers of middle management and even dispensing with such formal titles as *shacho*, president?

Part of the answer lies in demographics. Like many other Japanese behemoths, Japan's No. 1 auto maker finds its middle echelon bloated with baby-boomers. By reassigning some 1,000 managers and trimming its bureaucracy, Toyota hopes

to boost its response time as it gears up for the car wars of the 1990s. To snag its share of entry-level workers from a shrinking youth pool, the company also is sinking some \$730 million into refurbishments, including new employee housing (the old dormitories lacked phones, for instance), tennis courts, a golf range and other leisure-time amenities. Toyota is revamping its time-honored seniority system as well. From now on, promotions will depend not only on the number of years on the job but on performance—a shift many Japanese companies seem to be making. Gone, too, are job-specific titles; Presi-



automation, GM Chairman Roger Smith now sees teamwork as the key to revving up sales

GM's glacial decision making has often been criticized, most recently by Ross Perot, the maverick billionaire founder of EDS who resigned from the GM board after a public dispute with Smith. In the mid-1980s, product decisions got bounced between marketing, engineering

and assembly divisions, with the buck never stopping until it hit the president's desk. A power struggle between the three groups stymied development of a mid-sized car, the GM-10. The project dragged on for seven years, writes auto analyst Maryann Keller in a new book; as

dent Shoichiro Toyoda and assembly-line worker alike will go by the simple suffix *san*, equivalent to mister in English. "The whole point is to reinvigorate the company," says a spokesperson.

Industry analysts contend the overhaul will augment the Japanese car maker's already formidable competitive edge. "This is the kind of foresight that has been Toyota's hallmark all along," notes Maryann Keller at Furman Selz Mager Dietz & Barney. But others contend that many of the changes have been forced on the front-



Mr. Shoichiro Toyoda

runner by increasingly adroit rivals. Toyota was well behind Honda and Nissan in setting up U.S. assembly lines—facilities now giving Detroit a run for its money—and in coming out with luxury models. But Toyota's bureaucratic shake-up hardly means that America's Big Three can start cruising. The company was "already incredibly successful," points

out analyst Ron Glantz. Toyota's work force may be less driven but not its cars.

by Jim Impoco

a result, GM was late with its Lumina sedan, a rival to Ford's Taurus but unveiled only this year.

To push decisions further down the hierarchy, GM divided its five car divisions into a "big car" group, known as Buick-Oldsmobile-Cadillac, and "small car" Chevrolet-Pontiac-Canada team. Each would design, build and sell its own cars. The plan was designed to stimulate creativity, invite fresh views and build a more freewheeling atmosphere for exchanging ideas. Inevitably, in a company so large that its sales dwarf the gross national product of many nations, some employees found the changes difficult to bear. Others, with old division loyalties suddenly strained, struggled as well.

**Setting standards.** Today, GM is pinning its hopes on bold initiatives that are designed to identify, then standardize, the best product-planning and manufacturing methods. President Robert Stempel and Donald Ephlin, GM's union representative until his recent retirement, championed an ambitious plan to get workers and managers collaborating on such wide-ranging issues as inventory control and how best to oversee suppliers. One joint management-union team, for example, has recommended that every division be assigned several statisticians trained in the theories of W. Edwards Deming, the quality-control expert who gets some of the credit for Ford's revival.

Still, GM will have to translate its new policies into better products quickly. Car sales have slowed 6 percent since 1988. Japanese auto makers are expected to more than double their U.S. capacity to 2.5 million units by 1991, says consultant James Harbour, and Toyota and Nissan are introducing luxury cars this fall. GM's minivans are among its few new offerings to get rave reviews. A major test of GM's "team" strategy will come next summer, when Smith drives the first Saturn cars off the assembly line. Saturn will be a larger car than first planned, and what was to be a high-tech showcase now also is being touted as a new standard in labor-management cooperation.

Ultimately, GM's ability to win back customers will depend on new management, both in the union and at GM, where Smith's successor may be picked as early as next winter. While the naming of a finance executive would be consistent with GM tradition, many believe the company would be well-served by turning to someone with extensive production expertise. While Smith now has GM on a smoother road, he leaves his successor little room to be wrong. ■

by Andrea Gabor in Detroit

FROM HORSE-BUGGY BUILDERS TO INDUSTRIAL DISNEYLAND

# Volvo's back-to-the-future factory

**A**round the house, Swedish factory hand Marianne Apelman lets her husband play Mr. Fixit. On the job at Volvo's Uddevalla plant, however, the 35-year-old ex-shipyard worker routinely assembles entire luxury automobiles from chassis to windshields. "We think that our new way of building cars is the right way," she explains proudly.

Goodbye, Henry Ford. Three quarters of a century after the pioneering U.S. auto maker introduced the first assembly line at his Highland Park car plant, Volvo is turning conventional wisdom about mass production on its ear—literally. In its radically redesigned manufacturing facility north of Göteborg, work teams build vehicles much like doctors operate on a patient. Each car frame sits on its individual rotating holder while assembly crews attach the pieces. Instead of foremen and engineers, ordinary workers manage the shop floor.

Some economists wonder if Volvo's new scheme can match the speed and cost-effectiveness of automated production lines in the U.S. and Japan. The simple answer: The Swedish firm has little choice but to try. Absenteeism in the wealthy Scandinavian nation is Europe's highest, according to the Swedish Employers' Organization. One domestic Volvo factory had a 28 percent no-show rate, compared with 4 percent at its Belgian plant, where wages are lower. With Swedish unemployment a meager 1 percent, if Volvo wanted people to show up for work, it had to make its job environment more attractive.

The task of revamping the workplace fell to Volvo Group Chairman Pehr Gyllenhammar. In 1974, he had overseen the development of the firm's innovative Kalmar plant, which boasted five hexagonal buildings, each with a set of construction crews, and a computer-guided parts carrier to ferry supplies from the central warehouse.

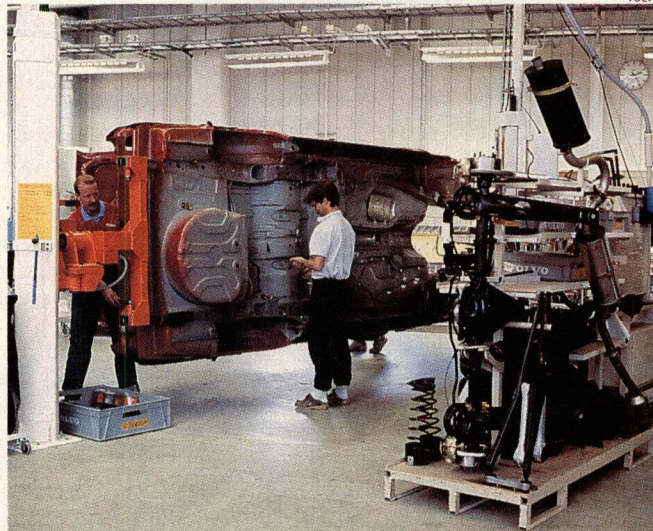
Uddevalla has taken the team concept a step further, claiming to be the first automobile factory to totally abandon the assembly line. Cars are put together by crews of eight to 10 people who work on stationary, pre-painted bodies mounted on devices called "tilts." These stands can raise, lower or rotate a chassis by 90 degrees. Each stage of the assembly takes an

Despite its state-of-the-art trappings, much of the inspiration for Uddevalla comes from Volvo's past. When the company set up shop in 1927, most of the workers were craftsmen originally trained as horse-carriage builders who could, in principle, make an automobile on their own. "But the car builders of this new age lost the holistic view of production, and professional pride was lost at the same time," says Volvo Car Corporation President Roger Holtback. To instill that craftsman's pride, Volvo trains new employees over 16 months, assigning each to a work team from Day One. Workers take turns serving as the group's liaison with management.

Swedish government officials tout the plant as a showcase of Scandinavian know-how, but life was not always so charmed at Uddevalla. In 1984, the seaside city was floundering; its largest employer, a shipyard, was about to pull out and yank 2,300 jobs. Volvo was given a tax break to put its new factory on the site. Though trade unions were involved in the planning, along with local politicians and company officials, their task is far from over. Some assembly teams, 43 percent of which are composed of women, have had trouble coping with freedom and managerial responsibilities. Workers report "friction" and disagreements.

Still, few wish to return to the old way, with supervisors making all the decisions—including who gets permission to go to the toilet. "It is our special interest to make sure that this factory succeeds," says Lennert Ericsson, chairman of the Uddevalla Metalworkers Union. "Many people are watching to see what happens here." If Henry Ford were alive, undoubtedly he would be one of the keenest observers.

by David Bartal in Uddevalla



CULVER PICTURES

**Firing line.** Scrapping the assembly-line concept, left, introduced by Henry Ford, Volvo's new Uddevalla plant in Sweden features "tilts" that raise, lower or rotate a pre-painted auto body while work teams piece together the finished vehicle. A computer-guided supply system ferries parts from the central warehouse.

hour or more, with components such as prefabricated transmission systems whizzing in from the central warehouse like ghost ships at an industrial Disneyland; magnetic strips buried in the polished factory floors guide parts to the appropriate workstation.

Weekly production goals are set by the assembly teams in consultation with management. The 85,000-square-yard plant is turning out 200 vehicles a week, but company executives claim that by 1991 some 40,000 cars in Volvo's 740 and 745 series will be produced annually. By then, too, the company hopes to be operating at a profit.



## What A Foursome: Jack Nicklaus, Pete Dye, Cliff Drysdale And Landfall.

This unbeatable team has worked wonders along the Intracoastal Waterway. Pete Dye has finished his latest legend. Jack Nicklaus is well underway in constructing his next masterpiece, and Cliff Drysdale is overseeing the completion of his Tennis/Swim/Fitness Center, a facility he calls, "quite possibly the finest of its kind in the world." Landfall has created a superb

gatehouse community. With sites, custom homes and villas bordering the woods, lakes, fairways and the Waterway. All of which are near historic Wilmington, as well as the family beaches of Wrightsville Beach and Shell Island. Come join our legendary foursome. Call us or send in the coupon today. 1-800-227-8208 or in NC 1-800-634-7857.

I'd like to know more about living at Landfall. MNI-4

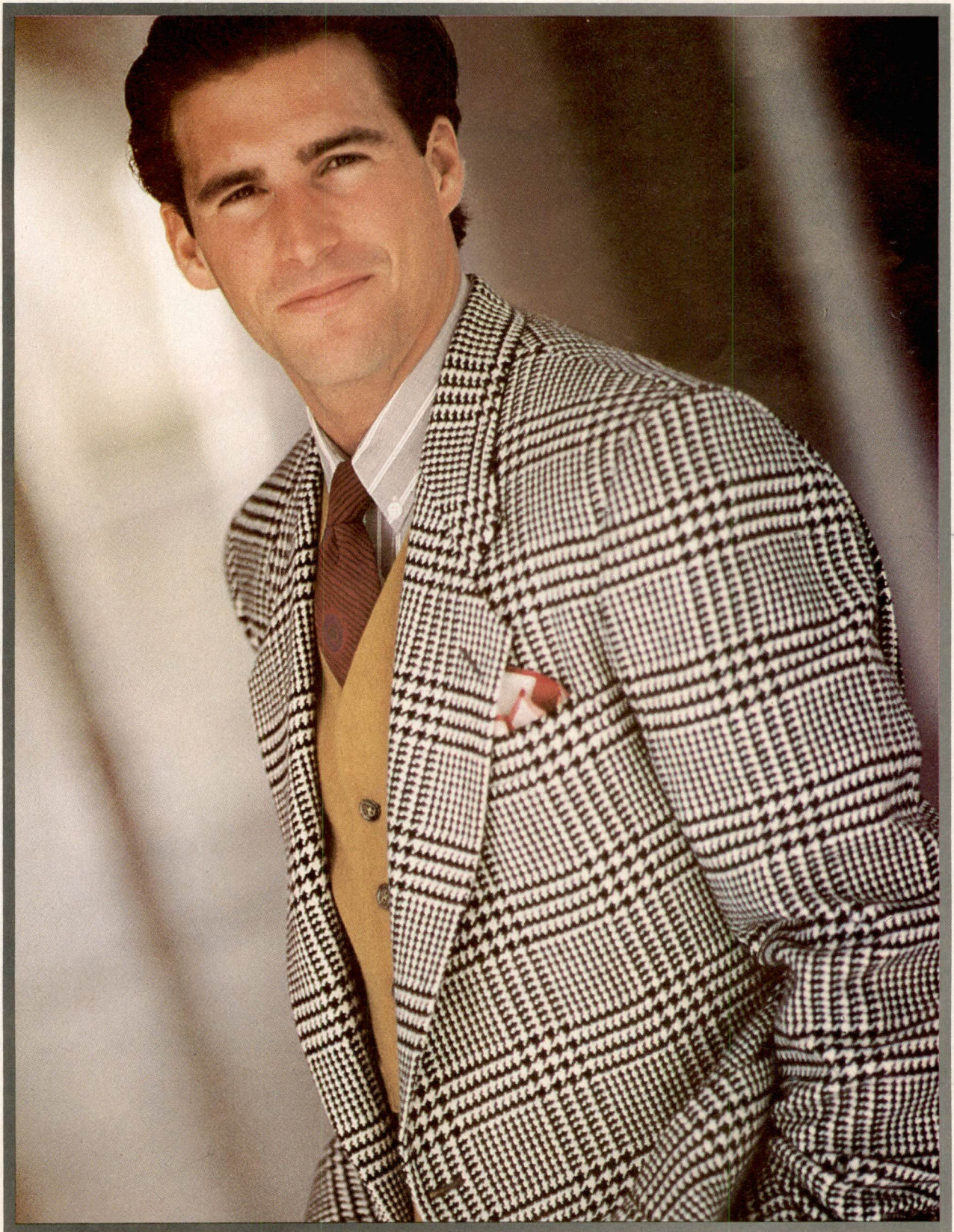
Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Phone \_\_\_\_\_  
 Mail to:  
 Post Office Box 5368  
 Hanover Station  
 Wilmington, NC 28403

Work  
**Landfall** 



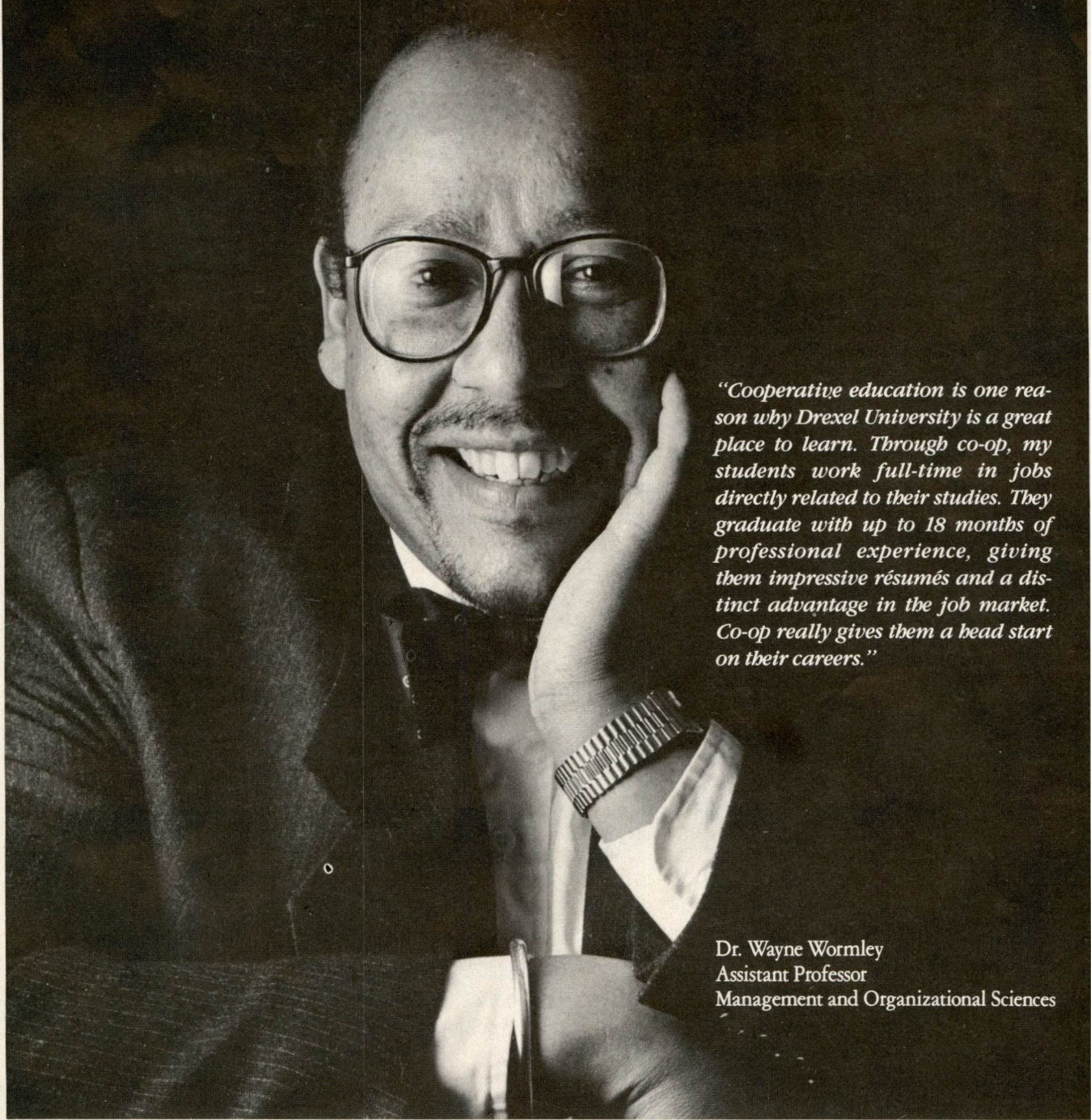
© Yves Saint Laurent

# YVES SAINT LAURENT

W O O D W A R D & L O T H R O P

# Drexel University

PHILADELPHIA PENNSYLVANIA



*"Cooperative education is one reason why Drexel University is a great place to learn. Through co-op, my students work full-time in jobs directly related to their studies. They graduate with up to 18 months of professional experience, giving them impressive résumés and a distinct advantage in the job market. Co-op really gives them a head start on their careers."*

Dr. Wayne Wormley  
Assistant Professor  
Management and Organizational Sciences

Drexel University offers nearly 50 majors—all with the added advantage of cooperative education. To learn more, use this coupon, or call 215-895-2400.

Check one:  Freshman admission  Transfer admission (the fall term begins September 18)

Please also check your general area(s) of interest:

- Business  Design Arts  Engineering  
 Humanities and Social Sciences  
 Information Studies  Science

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Office of Undergraduate Admissions (Box 488), Drexel University, Philadelphia, PA 19104

# YOU CAN REACH THEM WHERE THEY LIVE



If a \$13 billion dollar market holds an appeal for you, MNI's Overseas Military Networks are your surest avenue for product exposure. Put Media Networks to work for you in reaching the powerful military consumer force.

MNI's Military Networks can put you in direct contact with U.S. military personnel overseas, through some of the most respected and popular magazines available anywhere. Your advertising will run in the subscription copies of such prestigious magazines as *Time*, *Sports Illustrated*, *McCall's*, *Family Circle* and *Reader's Digest*, putting you in the hand of readers who have a definite interest in "all the news from home." Your message is delivered to United States military personnel and their families

overseas, where the high pass-along readership and long shelf life of top national magazines will increase your ad's exposure.

Through a choice of five different groups or networks of magazines, you can target your audience according to their editorial interests, while increasing your market coverage.

You have the opportunity to create and maintain brand loyalty to your product among a population of young, employed men and women whose main source of information about life in the United States comes from the magazines which will carry your advertising. If this opportunity interests you, call Cheryl Trinkka at: **212/536-7846.**

# Ins and outs on America's trade list

Made-in-U.S.A. items have new cachet, but not enough to dent the deficit

**A**merica's stubborn trade gap resembles the weather. Everyone talks about it, but no one can do much to change things. Former Treasury Secretary James Baker tried pushing down the dollar to help U.S. products compete overseas while making imports less attractive. But the gains have not been nearly as great as the greenback's sharp decline should have yielded.

To be sure, the outlook has brightened somewhat. The combination of a weaker dollar and more-efficient U.S. industries helped boost exports by 26.6 percent last year. At the same time, saturated markets and sticker shock slowed import growth to 8.7 percent. As a result, U.S. accounts improved by \$32.2 billion. But when all the exports and imports for 1989 are tallied, the trade deficit will still total an intimidating \$110 billion.

**Grace notes.** Most of the gains stem from sales of such big-ticket items as aircraft and agricultural products; some unusual elements also have contributed to the recent U.S. trade picture. Gold exports rose nearly 59 percent from 1985 to 1988, thanks to major purchases last year by Taiwan, which bought gold to avoid sanctions under stiffened U.S. trade laws. Tobacco shipments increased 30.7 per-



**Here's the beef.** Meat exports to Japan are up, and Mexico is following a loosening of trade restrictions

cent as several Asian countries, including South Korea and Japan, removed protectionist barriers. And the U.S. has scored big with music fans overseas; from 1987 to 1988, America's two premier guitar makers, Gibson and Fender, saw electric-guitar exports increase by 103 percent, mostly to Japanese and British musicians who prize the quality of U.S. instruments.

On the import side, much of the slowdown was serendipitous. Oil products, for example, slipped over the last three years thanks to falling petroleum prices, while saturated consumer markets dampened demand for electronics and stereo gear,

most of which is now manufactured almost exclusively overseas. Other imports such as steel, trucks and cars remained sluggish, partly because of more-competitive U.S. output.

Economists credit the improvement largely to the weaker greenback, which made U.S. products cheaper overseas. Fred Bergsten, director of the Institute for International Economics in

Washington, D.C., calculates that from December, 1987, to February, 1988, the dollar fell 157 percent against the German mark and 121 percent against the yen. At the same time, strong economic growth in Europe and Asia's newly industrialized countries expanded appetites for such Made-in-U.S.A. items as jet engines, scientific instruments and chemicals.

Pressure from Washington is showing modest effects. U.S. items now account for about 15 percent of the Japanese market and 17 percent of Taiwan's. Meat exports to both Mexico and Japan are up, following a loosening of restrictions on

## What the U.S. sells abroad

From aircraft to soybeans, these 35 products make up more than 60 percent of total U.S. shipments in 1988

1988 rank	1985 rank		Percentage change 1985-88	Value (in billions)	1988 rank	1985 rank		Percentage change 1985-1988	Value (in billions)
1.	1.	Aircraft	11.6%	\$20.3	19.	21.	Pharmaceuticals	12.6%	\$4.0
2.	2.	Auto parts	6.6%	\$13.2	20.	10.	Coal	-3.9%	\$4.0
3.	3.	Computer equipment and parts	17.3%	\$12.6	21.	23.	Electrical connectors	15.2%	\$3.8
4.	4.	Computers	16.2%	\$11.6	22.	29.	Pulp and wastepaper	27.1%	\$3.7
5.	8.	Semiconductors	25.2%	\$10.4	23.	13.	Civil-engineering equipment	-4.2%	\$3.6
6.	5.	Automobiles	14.3%	\$9.1	24.	27.	Animal feed	21.4%	\$3.4
7.	9.	Organic chemicals	16.0%	\$7.8	25.	31.	Paper and paperboard	18.6%	\$3.0
8.	6.	Measuring instruments	10.4%	\$7.4	26.	35.	Tobacco	30.7%	\$2.9
9.	15.	Rubber and plastics	24.3%	\$7.3	27.	24.	Trucks	8.0%	\$2.9
10.	16.	Jet and gas turbines	18.8%	\$6.2	28.	17.	Refined-petroleum products	-8.9%	\$2.8
11.	14.	Telecommunications equipment	15.1%	\$6.1	29.	26.	Inorganic chemicals	10.5%	\$2.7
12.	12.	Piston engines	7.4%	\$5.2	30.	28.	Heating and cooling equipment	14.5%	\$2.7
13.	7.	Corn	-0.6%	\$5.2	31.	30.	Chemical products	13.0%	\$2.6
14.	32.	Gold	58.7%	\$5.2	32.	20.	Arms and ammunition	-3.6%	\$2.6
15.	11.	Soybeans	5.2%	\$5.0	33.	25.	Fertilizers	4.4%	\$2.5
16.	18.	Wheat	10.8%	\$4.9	34.	NR	Meat	27.9%	\$2.3
17.	19.	Industrial machinery	12.2%	\$4.1	35.	NR	Musical instruments	34.4%	\$2.3
18.	22.	Electrical turbines	16.4%	\$4.1					

NR = Not ranked in top 35 in 1985.  
Note: Percentage change reflects average growth rate from 1985-88.

USN&WR—Basic data: U.S. Dept. of Commerce

foreign agricultural products. Corn exports are up in volume but suffer from slumping prices.

Still, America seems woefully ill-equipped to wrestle its trade deficit down much further. The manufacturing base is shrinking. Rather than hike prices, Japanese competitors have shaved profits and preserved their U.S. market share while South Korea tied its currency to the dollar. And many items, like VCR's, can only be purchased abroad. As Gary Teske, director of trade research at the Department of Commerce, points out, "a country's trade structure changes very slowly." Indeed, eight of the top 10 exports in 1988 were the same ones as in 1985. Americans bought over \$62 billion worth of foreign cars and auto parts in 1988. And while petroleum imports may have sagged 8.7 percent over the past three years, the tab still came to \$37.8 billion. Meanwhile, new foreign items, from computers to baby carriages, helped imports grow at an average annual rate of 9.5 percent from 1985 to 1988.

America's list of trading partners also has remained relatively stable. Transactions with the developed world are on the rise. Europe, Canada, Japan and Asia's industrialized countries took in slightly more than three quarters of all U.S. exports in 1985 and again in 1988, while their share of U.S. purchases



RICHARD SCHULTZ FOR USN&WR

**Baby-carriage boom.** America's toddlers may be homemade, but most strollers come from abroad

climbed from 68 percent to 72 percent. This growth has come at the expense of debt-ridden developing countries, which have seen oil sales to the U.S. sag, notes a new Commerce Department report.

**Hackers' delight.** Economists caution that further declines in the value of the dollar may do little to cool demand for many imported products. Compact-disk players, for example, are not made in America and will have a market no matter how much the greenback gyrates. And low wages give manufacturers in places like South Korea a built-in price advantage. Last year, overseas computer

makers captured almost 40 percent of the \$50 billion-plus domestic market for computer equipment and parts by offering a combination of cheap knockoffs and high-performance models. Asian suppliers took the market for disks and printers, while the Japanese made inroads with supercomputers and mainframes. Sophisticated Japanese chips accounted for about 30 percent of those imported in 1988.

Low labor costs have helped South Korea, China and Taiwan build a market for shoes and strollers. Imports of rubber and plastic footwear increased at an annual rate of 21.3 percent between 1985 and 1988. And while American babies may be homemade, their carriages almost all

come from abroad. Since the beginning of the decade, baby-carriage makers like Japan's Aprica Kassai, Inc., Italy's Peregò and the British firm Andrews Maclaren have been squeezing U.S. rivals.

With the pace of growth for U.S. exports slowing and the dollar up from last year's level, analysts predict the trade deficit will hover around \$100 billion for some time to come. That figure may be an improvement over the record \$152 billion set in 1987, but it hardly balances the U.S. checkbook. ■

by Robert F. Black

## What the U.S. buys from abroad

These 35 items accounted for nearly two thirds of total imports in 1988

1988 rank	1985 rank		Percentage change 1985-1988	Value (in billions)	1988 rank	1985 rank		Percentage change 1985-1988	Value (in billions)
1.	2.	Automobiles	7.8%	\$47.5	19.	20.	Radios	13.5%	\$5.0
2.	1.	Crude petroleum and products	-8.3%	\$37.8	20.	21.	Furniture and parts	9.1%	\$4.8
3.	3.	Motor-vehicle parts	15.7%	\$14.7	21.	14.	Iron and steel plates	2.3%	\$4.5
4.	11.	Computer equipment and parts	30.3%	\$11.5	22.	27.	Special industrial machinery	22.3%	\$4.4
5.	7.	Semiconductors	22.9%	\$11.5	23.	22.	Synthetic sweaters and outerwear	10.0%	\$4.4
6.	5.	Telecommunications equipment	11.0%	\$9.7	24.	29.	Electrical equipment	24.1%	\$4.4
7.	6.	Computers	27.5%	\$8.3	25.	25.	Combustion-engine parts	19.8%	\$4.3
8.	9.	Footwear	12.0%	\$8.0	26.	30.	Rubber and plastic articles	21.3%	\$4.1
9.	10.	Paper and paperboard	11.6%	\$7.5	27.	31.	Measuring instruments	16.1%	\$3.6
10.	4.	Trucks and other vehicles	0.9%	\$7.5	28.	32.	Nonelectric machine parts	18.6%	\$3.5
11.	13.	Organic chemicals	14.7%	\$7.0	29.	34.	Aluminum and alloys	19.3%	\$3.4
12.	15.	Baby carriages and toys	17.8%	\$6.7	30.	24.	Alcoholic beverages	4.3%	\$3.4
13.	12.	Wool and cotton apparel	11.4%	\$6.5	31.	33.	Manufactured metal	2.4%	\$3.3
14.	19.	Electrical turbines	19.7%	\$6.0	32.	23.	Wood	1.1%	\$3.2
15.	8.	TV and stereo equipment	-2.9%	\$5.4	33.	28.	Jewelry	10.5%	\$3.1
16.	16.	Piston engines	13.4%	\$5.4	34.	NR	Furs and leather	20.5%	\$2.8
17.	18.	Aircraft	13.0%	\$5.2	35.	35.	Outer garments	13.8%	\$2.8
18.	17.	Precious stones	11.5%	\$5.0					

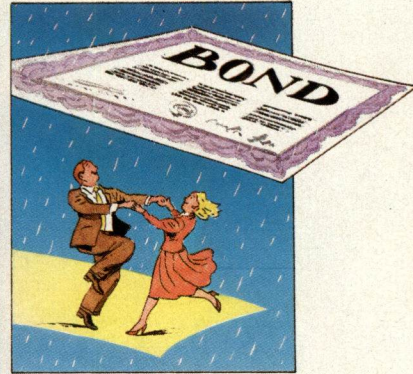
NR = Not ranked in top 35 in 1985.  
Note: Percentage change reflects average growth rate from 1985-88.

# The facts of life have changed.

## VARIABLE APPRECIABLE LIFE

Some people still have old-fashioned ideas about life insurance. What they don't know is that today, life insurance is helping families in ways no one would have dreamed possible 10 years ago.

With The Prudential, you can choose a very contemporary policy called Variable APPRECIABLE LIFE.<sup>®</sup> It's progressive because it gives you control of your cash values (the invested part of your premium payments).



That means you decide which combination of investment portfolios is best for you. Among the many options are a real estate account and an aggressively managed account. There's also a fixed interest rate account. And, no matter how your accounts perform, your death benefits are fully guaranteed as long as scheduled premiums are paid on time.

Call your Prudential/Pruco Securities representative. We'll go above and beyond to show you how to make your life insurance work for you while you're still living.

For more complete information, including fees and expenses, ask your Prudential/Pruco Securities representative for a prospectus. Read it carefully before you invest or send your money.

Issued by Pruco Life Insurance Company and Pruco Life Insurance Company of New Jersey. Available through Pruco Securities Corporation, Newark, New Jersey. These companies are subsidiaries of The Prudential.

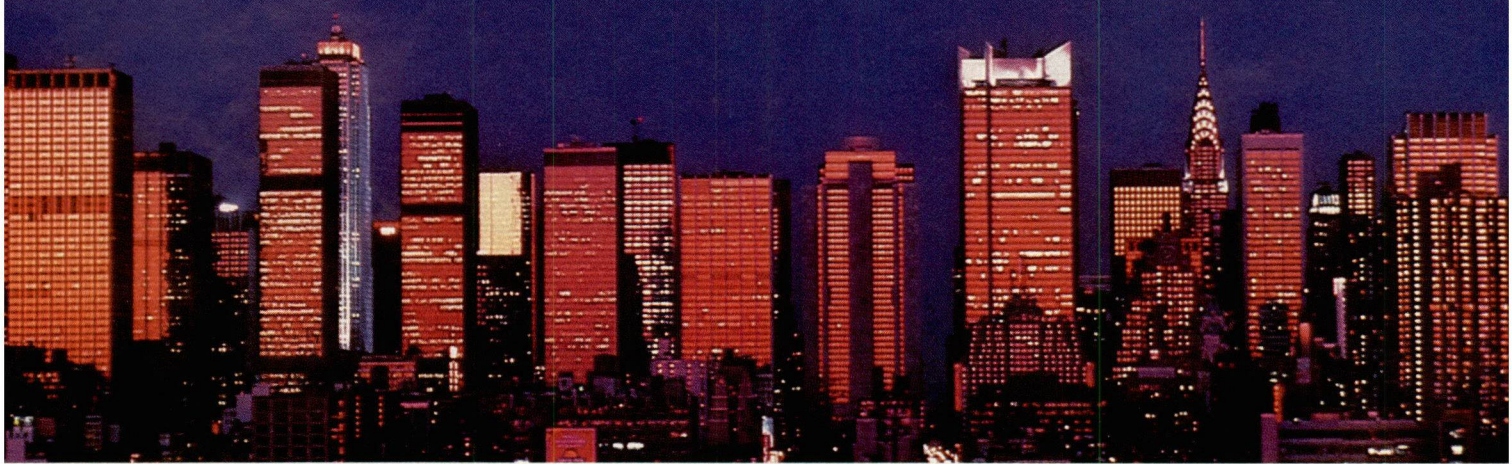
© 1988 The Prudential Insurance Company of America.

The Prudential 

ABOVE AND BEYOND<sup>®</sup>



# \$8.75. OVERNIGHT AM DELIVERY. GUARANTEED.



For those who must account for bottom lines as well as deadlines, there's Express Mail® overnight service.

At just \$8.75 for an 8-ounce letter, Express Mail service offers you guaranteed\* morning delivery between major markets, Saturday service at no extra charge, and more



drop-off points than all of our competitors combined.

So the next time you need to send a letter or document overnight, use the package of price, speed, and convenience that only we can deliver.

Express Mail service from your post office.

 **EXPRESS MAIL** *We Deliver.*

\*Full postage refund if delivery is not attempted by noon. Some restrictions apply. Check with your local Post Office for details. © 1989 USPS

# ECONOMIC OUTLOOK

## CAN MARXIST ECONOMIES MAKE IT TO MARKET?

### ■ THE HIGH COST OF REFORM

Of all the challenges facing Communist reformers, none is as vexing as how to prod their centrally planned economies toward freer markets without courting chaos. No socialist state yet has made the transition to a system in which prices accurately reflect supply and demand. Instead, half measures have eroded living standards without boosting production.

One of the key dilemmas for Communist planners is whether to phase in market reforms or free prices in one "big bang." Both have disadvantages. The gradual approach tends to increase price distortions and fuel inflation, while an all-at-once strategy risks economic chaos that could provoke a popular backlash and set back the entire reform program.

For years, the Polish government has ratcheted food prices upward while trying to retain central control over prices. The cost increases sparked riots in 1970, 1980 and again last year. A series of weak regimes gave in to workers' demands for increased wages and bonuses, fueling a wage-price spiral. Inflation now hovers at an estimated 100 percent. While the government insists its latest attempt to boost prices will let food costs reach their true market level, disgruntled workers already are staging walkouts and wildcat strikes to protest the hikes.

### ■ THE CHINA SYNDROME

China took a different approach. After keeping prices static for 25 years, in the late 1970s Beijing raised food prices and allowed farmers to grow and sell what they wished. Produce and meat output soared, with the government cushioning the urban population from price rises by increasing wages and rationing flour and rice.

Now, agricultural production has leveled off, inflation is running at over 25 percent and Beijing has not been able to extend reform to the industrial sector. Ministries warned of runaway inflation if the government raised the artificially low prices of staples like coal and oil. The compromise: A dual pricing system that would ease the path toward a market economy. Industries would produce a certain amount of goods with the low, state-subsidized supplies, with anything extra sold on the free market.

Chinese economists hoped the scheme

would encourage factories to produce more higher-priced goods and eventually outgrow the allotment system. "It didn't happen fast enough," says Nicholas Lardy, an economist at the University of Washington. "The longer the dual-price structure stayed in effect, the more opportunity there was for corruption." Factory managers preferred to sell the state's cheap coal to private enterprises on the sly at market prices and pocket the difference rather than produce steel or run railroads for lower profits. Local banks are obliged to bail out loss-making industries and, as a result, China's money supply has spun out of control.

### ■ MOSCOW'S DILEMMA

Despite its emphasis on perestroika, the Soviet Union, fearing popular unrest, has postponed price reforms until 1991 or 1992 at the earliest. Some Soviet economists want to saturate the consumer market with goods before letting prices loose. Even radical reformers like economist Nikolai Shmelyov argue that the production imbalances in the Soviet economy are so great now that freeing prices would be disastrous. "It will simply lead to inflation," says Ed Hewett of the Brookings Institution. Without competition, firms with a monopoly on production will simply jack up prices without improving quality or quantity.

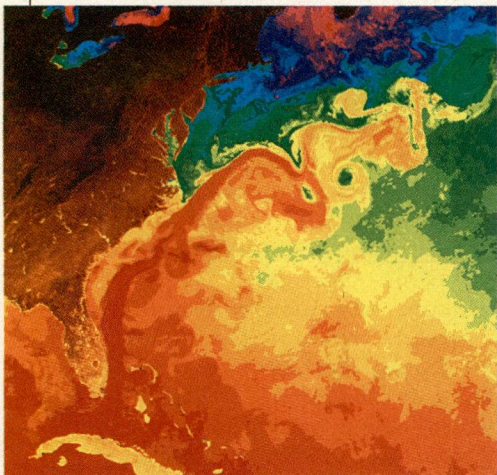
Hewett believes Mikhail Gorbachev's top priority should be controlling inflationary pressures by reining in the money supply, paring the deficit and soaking up excess purchasing power through such measures as selling off government housing and issuing bonds. But the Soviets may lack the statistics even to measure their money supply, much less control it.

In its latest effort to hike grain production and save foreign exchange, Moscow announced last week that it would pay farmers in hard currency for wheat and other crops in excess of average production. The measure may induce growers to increase their yields and use the funds to modernize their farms. But Western economists warn that establishing a two-tiered pricing system could worsen Moscow's monetary woes and send producers of other goods clamoring for dollars, too.

by Louise Lief

# SECRETS OF THE SEA

*The specter of a planetwide climatic upheaval from the greenhouse effect has given a new urgency to understanding the oceans, which, scientists now realize, affect everything from the formation of clouds to temperature cycles lasting centuries. Satellites, acoustic CAT scanners and remote-controlled subs are joining the new effort to probe the mysteries of the deep*



**Global force.** Ocean currents affect climate by moving heat and carbon dioxide. Red and orange above indicate the warm waters of the Gulf Stream

© BROWN, R. EVANS, M. CARLE—UNIVERSITY OF MIAMI

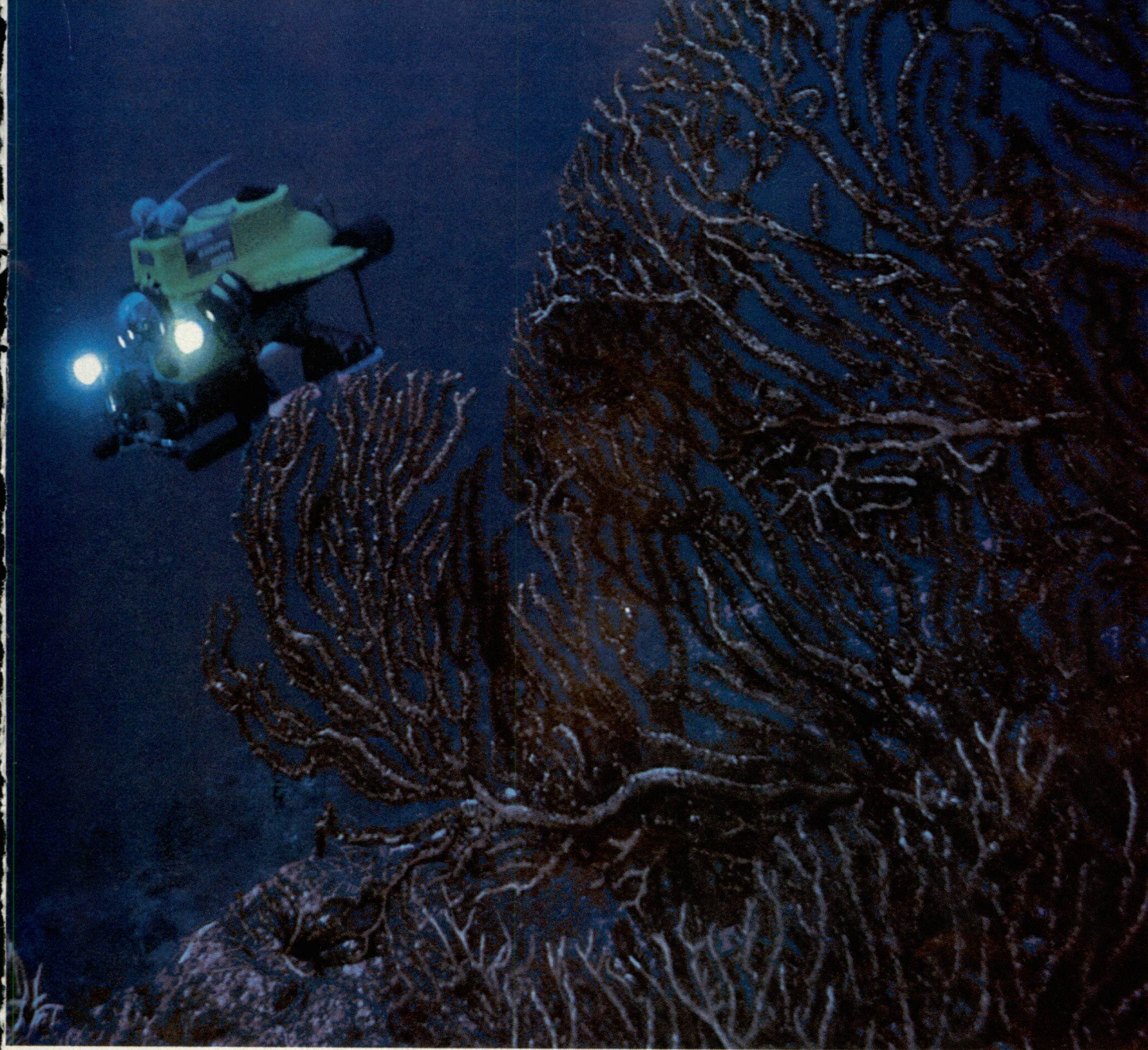
**F**ar out in the Western Pacific, two vast pools of warm water, each the size of the United States, are forming the seeds of torrential rainstorms that will hit the South American coast in a year and a half. Thousands of miles away, in the Greenland Sea, carbon-dioxide-laden surface waters chilled by arctic winds are beginning a thousand-year journey via deep ocean currents that may determine when the greenhouse effect will take hold, warming the earth and altering climate. And a mile and a half below the surface, rock chimneys erupting with superheated, mineral-rich water may tell how and where ore deposits formed on land.

The dynamics of the great oceans once were of interest only to a small, hearty band of oceanographers and to the superpowers' navies. Unlike meteorologists, who have an eager clientele of farmers,

**Uncharted waters.** Automation is providing

aviators, sailors and the rest of us who want to know what the weather will be, oceanographers lacked a broad constituency willing to invest in their science.

The growing concern over global warming, and new findings establishing the oceans' role as the regulator of climate, is changing all that. As cars and factories spew billions of pounds of carbon dioxide and other "greenhouse gases" into the air every year, the oceans will largely determine how fast the atmosphere will heat up and whether the climate will change in potentially devastating ways for all of Earth's inhabitants. With their enormous capacity to store heat and to absorb carbon dioxide out of the atmosphere, the oceans act as a flywheel to weather and climate; the top few feet of the oceans hold as much heat as the entire atmosphere. "If you're going to predict climate," says Derek Spencer, an



researchers with a wealth of data. Here, a National Geographic Society remote-operated submarine photographs the Cayman Wall

associate director for research at the Woods Hole Oceanographic Institution on Cape Cod, "you need to be able to predict what the oceans are doing."

That's easier said than done. Data about the oceans are remarkably sparse. What data are available have often been jealously guarded by the Navy, which supports roughly 20 percent of oceanographic research in the U.S. and which has its own agenda. Only in March did the Navy finally agree to declassify detailed maps of the ocean floor. Scientists argued that these data were essential to study the dynamic processes that shape the earth. The Navy maintained that sea-floor charts would allow Soviet nuclear-missile submarines to navigate to precise firing positions and thus hit American land targets with vastly improved accuracy.

Even without bureaucratic obstacles, collecting data at sea is difficult, costly

and slow. "The atmosphere is monitored," says Richard Somerville, head of the Climate Research Group at Scripps Institution of Oceanography in La Jolla, Calif., "but the ocean is only sampled." Most oceanographic data are gathered on research ships that can make 10 knots, the same speed as the world's first oceanographic vessel, the H.M.S. *Challenger*, which explored the oceans in the 1870s.

#### Hot on the trail

A major international push is now under way to measure and map ocean currents, a linchpin in the link between ocean and climate. Most of the sun's energy is delivered at the tropics, and—scientists thought until recently—redistributed around the globe by winds. Scientists now know that at least half the heat is carried by vast ocean currents. "Until you understand where all that heat is going," says

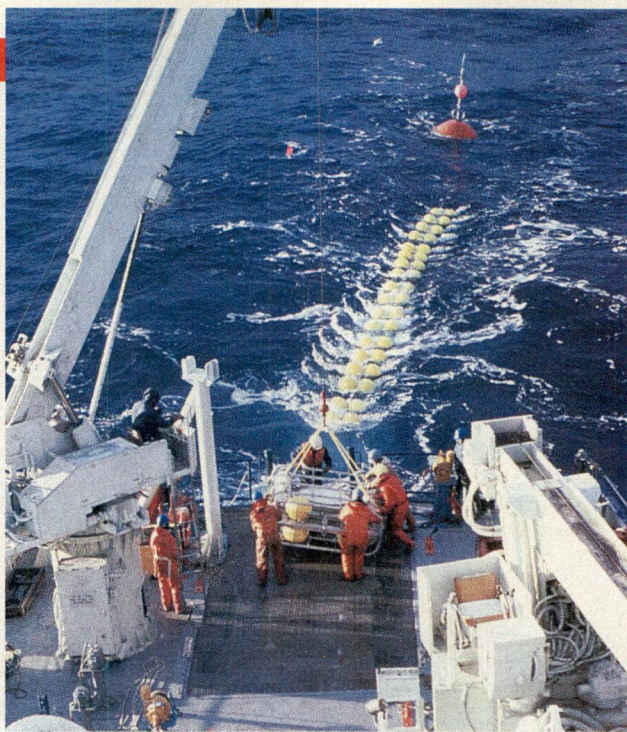
Woods Hole oceanographer Terrence Joyce, "you can't say where any one place will warm up or cool down." The speed of these currents is also of the essence. If the equator-to-poles heat shuttle moves swiftly, the oceans may at least be able to forestall a greenhouse-induced global warming by dumping the excess heat into the polar regions and deep waters.

Until such data are collected, oceanographers are skeptical—if not downright scornful—of attempts to predict the pace or extent of global warming. While virtually all agree that rising levels of carbon dioxide in the atmosphere are likely to cause climatic changes, they say that the current computer models that are the basis for predictions grossly simplify the role of the oceans and may give misleading results. James Hansen of the National Aeronautics and Space Administration (NASA) has attracted the

widest attention, claiming that his model is good enough to show with "99 percent confidence" that the greenhouse warming has already begun. But Hansen's model assumes that the oceans have no currents. When Syukuro Manabe and his colleagues at the National Oceanic and Atmospheric Administration (NOAA) Geophysical Fluid Dynamics Laboratory at Princeton added rudimentary ocean currents, their model predicted a new and important wrinkle: If a greenhouse warming occurred, it would be confined largely to the Northern Hemisphere. Cold, deep water from Antarctica apparently would counteract the effect in the Southern Hemisphere. "We really don't understand how the ocean behaves," Manabe says. Without good data, cautions

Roger Revelle, director emeritus of Scripps, "models are more than worthless. They are a positive menace. Over the next 10 years, we have to put a good deal of emphasis on making measurements."

A major effort to do just that will begin



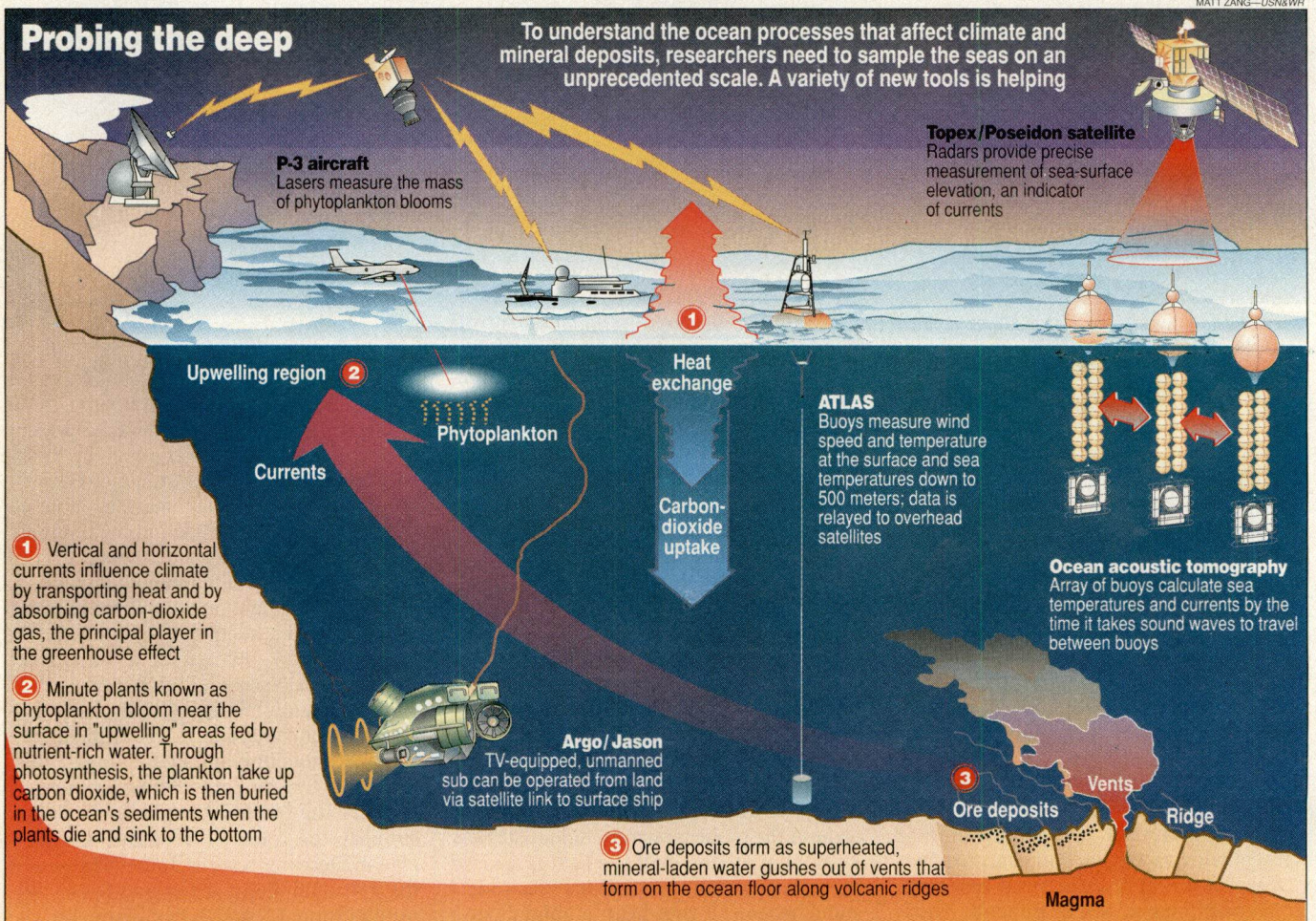
Oceanic CAT scan. Deploying buoys in the Greenland Sea

BRUCE CORNELLIE—SCRIPPS INSTITUTION OF OCEANOGRAPHY

next year and run through the mid-1990s. In the World Ocean Circulation Experiment (WOCE), scientists will crisscross the oceans to track large-scale movements of water, heat and chemicals, a process now poorly understood. The oceans move

horizontally by winds at the surface and vertically by a process called thermohaline circulation. Bitter winter winds in the Arctic and Antarctic cool surface waters, making them more dense. As the sea freezes, the ice rejects salt, adding to the density of the remaining liquid. The heavy, salty water, saturated with carbon dioxide from the air, sinks toward the bottom to begin a journey that may last 1,000 years or more. Waters formed in the Greenland Sea, for example, can move along the deep ocean all the way to Antarctica, across the Indian Ocean, finally surfacing in the North Pacific.

Along with traditional methods to track the movement of water, such as setting out floats that emit sounds so their path can be followed, WOCE scientists will employ sophisticated new tools. A joint U.S.-French radar satellite, Topex/Poseidon, to be launched in 1992, will track ocean currents on a global scale. A Japanese satellite to be launched in 1994 will carry a NASA scatterometer, an instrument measuring ocean-surface



MATT ZANG—US&WR

# Learn a foreign language...

## incredibly fast!

Conversing in a foreign language opens up new worlds in business, travel and entertainment. The technique of accelerated learning, as conveyed by these proven foreign language courses, allows any one to comfortably converse in a new language within 30 days.

Accelerated learning, developed by famed learning expert **Dr. Georgi Lozanov**, is based on the premise of involving both hemispheres of the brain in the education process. The analytical or logical left side of the brain

when properly activated with the musical or artistic right

side of the brain both increases the speed and heightens the retention of learning. Utilizing these untapped mental capacities of your learning ability is the basis of this unique course.

You *will learn* the language as stresslessly as a child does, by hearing new vocabulary and phrases in alternately loud, whispered and emphatic intonations, all accompanied by slow rhythmic music in digital stereo. This perfect combination of music and words allows the two halves of the brain to work together to dramatically facilitate your assimilation of the new language.

The first 15 (memory) tapes of this 30 tape package help activate the learning capacities of the brain. The second 15 (study) tapes are the very same tried and proven tapes used by the **Foreign Service Institute** to train career diplomats. This marriage of two concepts literally gives you two courses in one, providing the best of both worlds in language instruction.

Best Value! With a total of 32 cassettes plus study materials, this program represents the best value available today in language instruction. Compared to other programs, the **Accelerated Learning Series** outperforms them with twice the audio and 20 times the study material.

To correctly converse in a foreign language you must understand the meanings and intent of the native speaker. If after 30 days of listening to the study and memory tapes you are not *comfortably understanding and conversing in your new language*, then return them for a full refund.

- ◆ Spanish Tapes \$245.00
- ◆ French Tapes \$245.00
- ◆ German Tapes \$245.00
- ◆ Italian Tapes \$245.00

For faster service — credit card orders only — Order Now!

Call Toll-Free **1-800-621-5559**

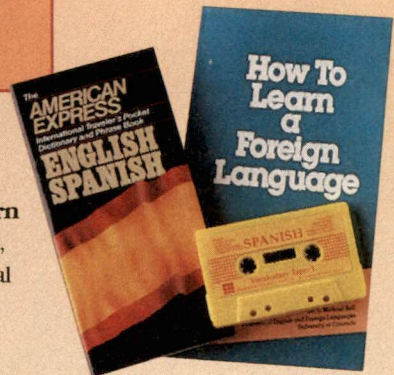
Or write to:  
PROFESSIONAL CASSETTE CENTER  
DEPARTMENT USN-100  
P. O. BOX 1336  
SKOKIE, IL 60077

**BONUS OFFER!!**

**“American Managers With Language Skills Open More Doors”**

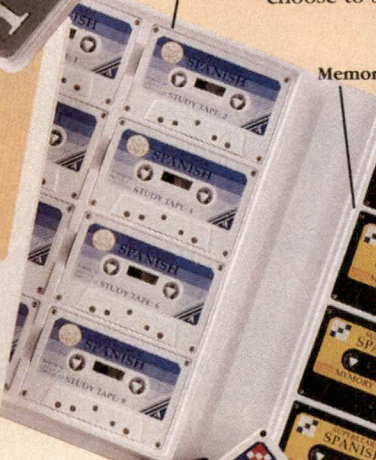
— Wall Street Journal Editorial

As an additional bonus, two 90-minute vocabulary tapes, the 100-page **How To Learn A Foreign Language** (used by Peace Corps, CIA), plus the American Express International Traveller's Dictionary in the language you choose to study.



Study Tapes

Memory Tapes



**THE NEW YORK TIMES NATIONAL**  
‘American ignorance of other tongues has been hurting American business executives in their competition for markets with multilingual counterparts from Japan and Western Europe.’

# TOUR THE U.S.A.

THE U.S. NEWS TRAVEL GUIDE TO 17 UNFORGETTABLE VACATIONS

Extended tours and weekend getaways • News You Can Use: Packing, happenings, roadside emergency information and more • Special Camping Section: Tips on camping with children, selecting equipment, and the wonders of Yosemite, the Grand Canyon, Acadia and more

The U.S. News Great Vacation Drives guide book makes traveling in America easy and enjoyable. It's all here, in a clear, compact package: Five major trips, taking you from the classic landscapes of New England to the ghost towns and artists' haunts of New Mexico; plus 12 easy junkets, geared for quick family getaways—the Everglades of the Florida Keys; the surprising Ozarks; the beautiful Hill Country of Texas—all the places you've always wanted to go.

**PLUS** EACH COPY INCLUDES A STATE-BY-STATE CALENDAR OF POPULAR EVENTS

Because it's a total travel package, offering practical information and advice, the Guide is as indispensable to the seasoned adventurer as it is to the casual traveler.

To order your copy of the U.S. News Travel Guide, send your check or money order for \$7.95 (includes postage and handling) to:

U.S. News  
c/o Sisk Fulfillment Services  
P.O. Box 463  
Federalsburg, MD 21632

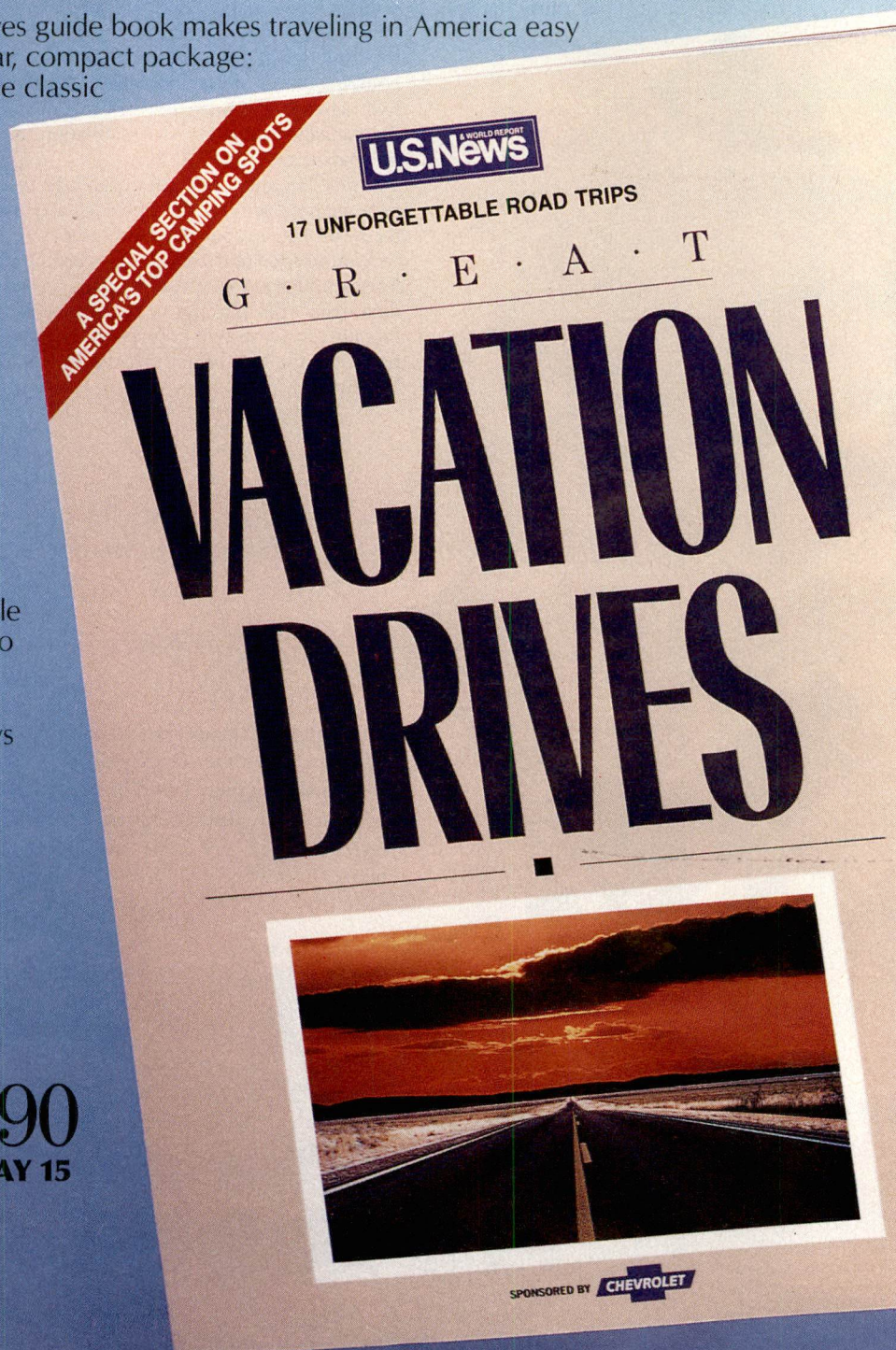
Or, for faster credit card service, call toll free:

**1-800-334-9090**

ON SALE AT NEWSSTANDS MAY 15

For bulk orders contact Michael Presto  
(202) 955-2419.

**U.S. News**  
A WORLD REPORT



wind speed and direction over most of the globe. This information, now lacking in detail, is vital to understanding the forces that drive surface currents.

Early nuclear-bomb tests inadvertently gave WOCE scientists another important tool to track deeper currents. Bombs exploded in the atmosphere produced the hydrogen isotope tritium, which has a half-life of a dozen years and decays to helium 3. By measuring the ratio of tritium to helium 3 in a water sample, oceanographers can tell precisely how long ago the tritium entered that water at the surface. Dating successive samples shows the track the deep water is following. Radioactive fallout from the 1986 Chernobyl nuclear-power-plant disaster has also been used to monitor the rate at which particles sink into the ocean.

At smaller scales, the oceans are alive with their own weather systems, similar to those in the atmosphere although typically only a tenth the size. These fronts and eddies, discovered only in the 1960s, are 60 to 100 miles across and last for a month or more. Since they contain over 90 percent of the ocean's dynamic energy, they compound the oceanographers' sampling and modeling problems. Unless scientists can drop an instrument overboard from a ship every 30 miles or so, an obvious impossibility, they'll miss one of the most important features that drives the sea.

### The ocean's pulse

This year, Scripps and Woods Hole oceanographers are trying to give the Greenland Sea, in effect, a CAT scan to beat the sampling problem. In this new technique, called acoustic tomography, instruments that emit beeps of sound are moored beneath the surface in a polygon pattern 120 miles on a side. Since the speed that sound travels through water is closely related to temperature, measuring the length of time it takes a beep from one instrument to reach the next accurately records the ocean temperature between them. Since sound travels slightly faster with a current than against it, simultaneously transmitting beeps between two points and timing the difference can also reveal currents. By comparing current data with surface winds, the researchers hope to see the relationship between the two. If acoustic tomography works well, a few widely dispersed instruments might be able to measure the average temperature of an entire ocean basin, such as the North Atlantic, to determine whether it is heating or cooling over long periods. If average temperatures climb, that would be one indicator of global warming.

In an effort to better understand the ocean's role in absorbing carbon dioxide from the atmosphere, other researchers are focusing on the smallest forms of life in

the narrow band of surface water where almost all of the ocean's life is concentrated. The phytoplankton population that explodes in enormous blooms every spring acts as a "biological pump" to carry carbon from the atmosphere to the bottom. The blooms occur in areas where nutrient-rich water moves toward the surface. In the spring, when the days grow longer and surface waters warmer, the tiny plants multiply rapidly as they feast on the phosphates and nitrates in the water—the same fertilizers spread on lawns—and extract carbon dioxide from the air through photosynthesis. Then the populations crash for reasons not fully understood and dying plants sink into the sediments carrying with them roughly 2.5 billion tons of organic carbon annually on a global basis.

Research vessels from five nations in

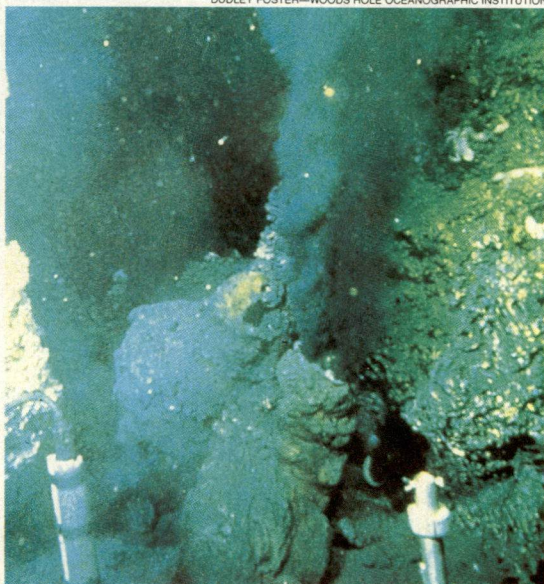
the Joint Global Ocean Flux Study are roaming the North Atlantic in an ambitious program to quantify the phenomenon. Aircraft are shining laser beams into the blooms, causing them to fluoresce; by measuring the amount of light given off by the phytoplankton, scientists can calculate the mass of the bloom. The technique could later be used from satellites.

Carbon dioxide is absorbed by the oceans from the air in another way: It dissolves in surface water and is transported by downward currents into the deep ocean, where it can reside for hundreds of years. If increased atmospheric carbon dioxide should raise global temperatures, the circulation of the oceans would also change, oceanographers suggest, possibly in ways that might counteract the greenhouse effect. "As you increase the rate of ocean circulation, you

ROBERT R. HESSLER—SCRIPPS INSTITUTION OF OCEANOGRAPHY



DUDLEY FOSTER—WOODS HOLE OCEANOGRAPHIC INSTITUTION



**The sulfur diet.** Most of the deep ocean is a desert. So scientists were astonished to discover giant worms, above, thriving 8,000 feet down in water laden with toxic hydrogen sulfide, spewed from vents, left. Their secret is bacteria, harbored in a cavity within the worms, which "burn" sulfur compounds, producing energy that the bacteria then use to synthesize sugars. Similar symbioses between sulfur-eating bacteria and animals have since been discovered in less exotic places, such as a Los Angeles sewer outfall that sustains the "gutless sewer clam"

increase the rate at which you bring nutrients to the surface into the light zone where the plants live," says Robert Gagosian, an associate research director at Woods Hole. More plants would grow and more carbon would thus rain out into the sediments. "If ocean circulation changes because we're monkeying around with the system," he says, "maybe there's a feedback mechanism that will stop it."

Phytoplankton may play a major role in another important regulator of climate, clouds. Clouds form when water vapor condenses around tiny particles floating in the air. A new and still controversial theory suggests that phytoplankton, by excreting the chemical dimethylsulfide into the air, is a major source of these crucial particles. If the oceans should warm slightly, some researchers suggest, evaporation would increase, phytoplank-

ton would grow faster and more particles would be produced. This, in turn, would lead to more clouds. With a heavier cloud cover, more of the sun's energy would be reflected back into space, and global temperatures would start back down.

### Climatic flywheel

As researchers discover the increasing importance of the oceans in long-term climate change, they are also finding new evidence that oceans drive natural cycles of climate that come and go every few years. El Niño is the most striking. Every three to five years, 83-degree water from the far reaches of the western Pacific Ocean races eastward along the equator to the South American coast, where the surface temperature of the sea is usually in the 70s. Enormous storms generated by the warm surface water accompany the

eastbound water. Torrential rains hit South America, and the warm water shuts off the normal upwelling of nutrients for phytoplankton along the coast, devastating fisheries. The atmospheric effects of El Niño are sometimes felt as far away as the Gulf of Alaska, where North America's weather patterns form. Then, the warm waters retreat westward again.

Scientists who once thought El Niño was a local South American weather phenomenon have learned in the past decade that it is an endless, self-sustaining cycle of warm and cold episodes that spans the Pacific. Complex interactions between sea surface temperatures, the depth of the layer of warm surface water and changing winds drive the cycle.

Gathering data on this fast-changing cycle so that El Niños can be predicted has long been difficult in the remote Pacific,

## Stopping coastline pollution at the sewer and the farm

**S**yringes. Dead rats. Bags of blood and used plastic tampon applicators. Last summer's revolting tide of garbage drove beachgoers inland and cost waterfront businesses more than a billion dollars in lost revenue. Yet for all the panic they caused, trash and medical waste form only a minor part of ocean pollution. Medical waste made up roughly 1 percent of debris washed ashore last summer, about the equivalent of one garbage bagful for every 1-ton truckload, and even syringes and blood pose scant threat to public health since the AIDS virus cannot survive for long in the ocean.

In fact, the most dangerous pollutants lurk unseen below the surface. The U.S. spews 32 billion gallons of toxic chemicals and sewage into the sea every day. Thus far, this outpouring of filth has had a negligible effect on the deep ocean—at least as far as oceanographers are able to measure—but it is choking the coastal zone, the place where many Americans make their living. "The coastal zone makes up only 10 percent of the total area of the ocean, but it's the most significant in terms of fish production," says Richard Bopp, a geochemist at the Lamont-Doherty Geological Observatory of Columbia

University. Pesticide residues, for example, have prompted New York State officials to warn consumers not to eat more than one serving per week of fish pulled from New York waters. One third of the nation's shellfish beds, from the Pacific's Puget Sound



Iceberg's tip. The real mess is underwater

to the Atlantic's Chesapeake Bay, are off limits because the shellfish contain unacceptable levels of bacteria, viruses and toxic chemicals.

Surprisingly, half of pollutants come not from industry, but from so-called nonpoint sources—pesticides draining from agricultural lands, oil, antifreeze, lawn fertilizer and animal waste washing off streets into storm drains. Moreover, many cities have combined storm-sewer and sanitary-

sewer lines, and when heavy rains overwhelm treatment plants, raw sewage and runoff pour directly into coastal waterways.

This noxious bouillabaisse has various effects. Volatile chemicals like oil linger near the surface, killing the larvae of fish and shellfish. Other chemicals, such as PCB's from electrical transformers and DDT, which is still leaching from soils 17 years after it was banned, drift to the sea floor, where they settle in sediments or are taken up by adult shellfish and other animals, which are in turn devoured by fish. Fertilizers and sewage provide a rich source of nutrients that feed huge blooms of algae. When the algae eventually die, the process of decomposition soaks up the available oxygen in the water, choking off other life. Excessive nutrients and silt may contribute to the 3,000-square-mile "dead zone" located off the mouth of the Mississippi River.

Much of the ocean is capable of healing if pollution is halted. Algae blooms, for example, disappear when nutrient levels return to normal. But stemming the flood will require a broad attack. Improved sewage systems are one obvious target. So, too, is the protection of diminishing wetlands, which act as organic filters, and the creation of buffer zones around agricultural land for controlling fertilizer runoff. Naturally, the price tag will be staggering: Nationwide, it will cost at least \$76 billion just to overhaul existing municipal sewage-treatment plants.

by Shannon Brownlee

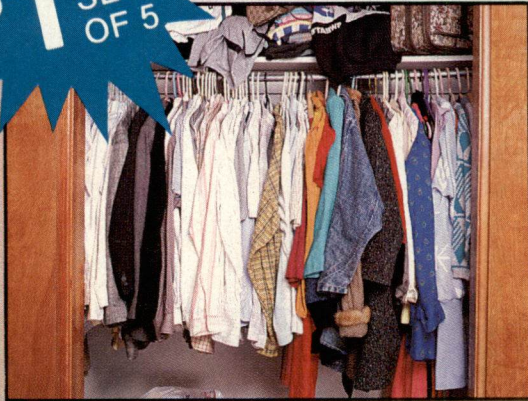
Amazing...

# MAGIC HANGER™

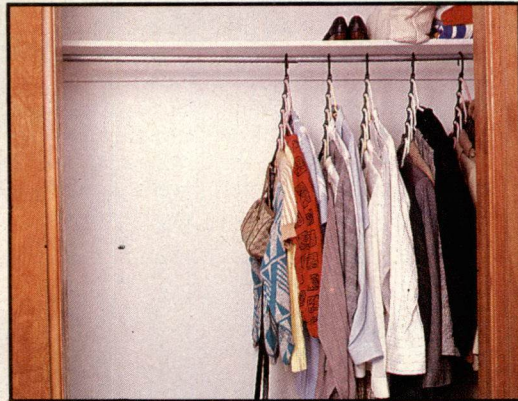
AS SEEN  
NATIONALLY  
ADVERTISED

THE INSTANT  
CLOSET ORGANIZER!

NOW ONLY  
\$1 IN SETS  
OF 5



**BEFORE** If your closets look like this... your wardrobe is an unorganized mess!



**AFTER:** With Magic Hanger™ your closet will look like this... and your wardrobe will be organized and wrinkle free!

## Quadruples Closet Space in Seconds!

This is the same revolutionary Magic Hanger™ system that is sweeping the country... the same incredible space saver you've seen nationally advertised. But during this enormous nationwide publicity campaign, U.S. Buyers Network is giving them away for the unbelievable price of just \$5 for a set of five (that's just \$1 each) **if you respond to this ad before Midnight, October 30, 1989.**

So why waste hundreds of dollars on expensive, hard to install closet systems? With Magic Hanger™ you'll quickly and easily increase your closet space by 400%. Each Magic Hanger™ is covered by the company's exclusive one year money back guarantee. There is a limit of two (2) sets per address at this price, but if you respond early enough, (before October 25), you may request up to seven sets.

### STEP 1.

It's so simple... just place "Magic Hanger™" on your closet rod.



### STEP 2.

Using ordinary hangers, hook on your garments - up to five articles on each Magic Hanger™. The rugged reinforced nylon construction is made to hold even the heaviest garments!



### STEP 3.

Just release one of the large hooks and like magic you've increased your closet space by 400% without spending a fortune on those expensive closet systems. It's like adding an extra closet to any room!



Allow up to 60 days for shipment

MAIL BEFORE OCTOBER 30TH  
FOR THIS AMAZING OFFER!

ITEM	PRICE	QTY.	TOTAL
MAGIC HANGER™ (Complete Set of 5)	\$5		
ONE YEAR MONEY-BACK GUARANTEE!		VA res. add sales tax.	
		Shipping & Handling	\$2.50
		TOTAL	

© AGV, INC. 1989. (2151)

Payment method: (Check one)

- Cash  Check  Money Order  
 Visa  MasterCard

Card # \_\_\_\_\_

Expire Date \_\_\_\_/\_\_\_\_/\_\_\_\_

Print Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_ Zip \_\_\_\_\_

MAIL U.S. Buyers Network, Dept. MH2296  
TO: One American Way, Roanoke, VA 24016

where few ships travel. NOAA, France and Japan are deploying 52 sophisticated ATLAS buoys along the equator in the Pacific. The first 18 are already in place, measuring air temperature, wind speed and sea temperatures to a depth of 1,600 feet and beaming the results to a satellite passing overhead. The data are available to researchers within 4 hours.

Satellite link-ups can even allow scientists working in their labs to extend their eyes and hands electronically to the ocean floor. The Argo/Jason system devised by Robert Ballard of Woods Hole, who discovered the *Titanic* and the *Bismarck*, next year will let scientists thousands of miles away operate cameras and mechanical arms on the sea bottom.

The tremendous dynamic force of the oceans is making itself known on a far statelier scale through its role as a vast

chemical-recycling plant. In 1977, scientists diving 8,000 feet below the surface in the research submarine *Alvin* made the astonishing discovery of chimneys on the sea floor pouring out black, mineral-laden water up to 750 degrees Fahrenheit. Close by, they found teeming colonies of tube worms as long as 5 feet, clams and mussels living in a dark, poisonous world where photosynthesis plays no part in their life cycle. A decade of study since then has led geologists to develop a whole new explanation of how certain mineral deposits found on land today were formed.

**Solving a riddle.** "This zone is a great, big hot-water circulating system," explains Scripps geologist James Hawkins. The chimneylike vents form along ridges where hot magma from within the earth wells up and spreads outward. Cold sea water trickles into cracks where it is

heated by magma; the hot water strips minerals like iron, copper, zinc and manganese from the hot rocks and then jets out the chimneys. Last year, an expedition looking at undersea hot springs west of Eureka, Calif., found sulfide-ore mounds up to 100 feet high covering several square miles, comparable in size to an ore district on land. Most of the ore deposits that form near the vents are recycled back into the mantle as the sea floor moves. Occasionally over geologic time, however, a piece of floor containing minerals from the sea is pushed up onto a continent. Someday, if terrestrial ores are spent and inexpensive new technology developed, the undersea deposits might be mined commercially. But that is far in the future. Hawkins says, "I have a piece of zinc sulfide worth 30 cents that cost \$30,000 to bring up."

Vent circulation also solved a problem

## Is a treasure hunter's gain history's loss?

Until a year ago, Greg Stemm and his colleagues at R. V. Seahawk, Inc., a Tampa-based ocean-salvage company, spent most of their time on routine work for insurance companies. Diving into the wrecks of fishing boats to determine why they sank was about as exciting as things got.

Today, Stemm is drawing up plans to recover what he believes to be a multi-million-dollar treasure of coins, emeralds and silver ingots from a Spanish galleon that the company discovered last June 70 miles off the coast of Florida. Stemm has joined a growing corps of high-tech treasure hunters who are using deep-diving robots, sonar and highly sensitive cameras to locate and salvage sunken ships. Within the last few years, teams of divers have taken artifacts from many wrecks, including the *Titanic*, the *Whydah* (a slave ship that was captured by pirates in 1717) and the galleon *Atocha*, which brought salvor Mel Fisher a fortune in gold dust, jewels and coins.

But as advances in technology transform treasure hunting into a sometimes very lucrative business, old questions of whether wrecks should be disturbed at all, and, if so, by whom, are being raised with new urgency. By international law, commercial vessels that sink on the high seas can be picked over by anyone who finds them. (Government vessels, on the other hand, such as the German battle-

ship *Bismarck*, which Woods Hole Oceanographic Institution scientists recently located 600 miles west of France, are protected from salvage.)

**Sensitive issue.** Law aside, some argue that it is unseemly to disturb wrecks. Woods Hole oceanographer Robert Ballard, who in 1985 helped locate the hulk of the *Titanic*, is highly critical of his French colleagues who later returned to the site to pull crystal, jewels and other artifacts from the sea. He argues that the wreck should be left undisturbed as a

memorial to the 1,513 people who died when the liner sank in 1912.

Seahawk's Dan Bagley concurs that the *Titanic* should not be plundered—for now. "We are talking about the feelings of people who are alive today," he says. In his view, however, old shipwrecks are a vastly different story. No one is mourning the sailors who went down on Seahawk's recent find. And Bagley bristles at suggestions that his firm is robbing a mass grave. Sailors usually abandon a sinking ship, he says. Moreover, just be-

WILLIAM CURTSINGER—PHOTO RESEARCHERS



that had long troubled oceanographers. It was once thought that the salts and chemicals in the ocean were eroded from the land and carried to the sea by rivers. But the numbers did not add up. Much more magnesium was observed flowing into the ocean, for example, than could be found in sea water. The vent systems provided the missing piece of the puzzle. "Every few million years, the entire volume of the ocean circulates through this system," explains Andrew Campbell of the Massachusetts Institute of Technology. "In that process, the chemistry of the ocean is changed." Magnesium and some salts are removed; other chemicals are added. "Were it not for the vents," he says, "the ocean would have the chemistry of a soda lake" like the Great Salt Lake.

Each vent field flows for a few decades, then dies as upwelled magma in

the area cools. Sometimes, for reasons still not explained, the ridges suddenly belch a huge volume of hot water. In 1986, Edward Baker, an oceanographer with NOAA's Pacific Marine Environmental Laboratory in Seattle, was methodically surveying the Juan de Fuca ridge system west of Oregon and Washington when he found a "megaplume," a circular mass of hot water 2,000 feet thick and 12 miles across lying a mile above the sea floor. Analysis showed it contained particles that would have settled out in a few days. That meant the megaplume had just been formed. The next year, he found another one in a different part of the ridge. Baker speculates that an undersea earthquake may puncture a reservoir of water deep in the crust and expel it all at once, like a geyser. "I don't know if one occurs once

a year or 10 times a year," he says. "It's an additional transfer of energy from the crust we hadn't been aware of before."

As the oceans slowly yield their secrets, the separate scientific domains of oceanographers, meteorologists, chemists, biologists, geologists and supercomputer mavens are merging into a unified study of earth sciences. The scientists are all learning that what happens in the sea is related intimately to what happens in the air and to the biosphere. "I'm a meteorologist," says Somerville, "but my students are oceanographers. They are not hung up about where the atmosphere stops and the ocean begins." As the increasingly strong connections between the ocean and climate make clear, that's not a distinction made by Mother Nature, either. ■

by William J. Cook

ALAN ZLOTKY—PALM BEACH POST/BLACK STAR



JOHN J. LOPINOT—PALM BEACH POST/BLACK STAR



**Science and profit.** Archaeologists, surveying the hull of a 16th-century ship off Labrador, facing page, say salvors often destroy history in their quest for treasure. Booty, such as the gold bar, left, from galleons made Mel Fisher a fortune—and drew crowds as it was unloaded at his Key West museum

cause sailors died doesn't mean that the galleon's hulk is consecrated ground.

Historians raise a more sweeping objection to the work of Seahawk and others. They maintain that old wrecks are far too precious archaeologically to be salvaged for treasure. Like long sealed tombs or ancient buried cities, wrecks often provide a rare window into the past. J. Jackson Walter, president of the National Trust for Historic Preservation, calls Seahawk's new find an "irreplaceable resource." Unlike the galleon

wrecks that have been found in shallow coastal waters, this wreck appears to be intact and well-preserved; at 1,500 feet, the sea is cold, dark and relatively still. Salvors often manhandle wrecks in their headlong rush for booty. According to Walter, the salvage of the *Atocha* was a "horror," and salvors lost many artifacts when they raised the Dutch-built *deBraak*, which sank off the coast of Delaware in 1798. Seahawk promises it will excavate carefully and keep the artifacts together for at least a couple of years

so that archaeologists can study them.

Even when salvors exercise reasonable care with artifacts, they don't pluck the same amount of information from wrecks as do archaeologists. George Bass of Texas A&M University leads a team that is conserving a 1,000-year-old shipwreck he excavated over a decade ago. One group is reassembling the hull, another is piecing together fragments of glass from 20,000 jars, plates, cups, bowls and other items. The trading ship carried coins, jewelry, iron tools, weapons and glazed pottery from the medieval Christian and Islamic worlds. "What treasure hunter has ever invested that much time or money into a ship?" Bass asks.

Ultimately, the prohibitive cost of all deep-sea operations, quick and dirty or otherwise, will help shape whatever compromise is worked out between archaeologists and treasure hunters. Since governments and nonprofit foundations will not pay archaeologists to labor for decades over every historical wreck, they may have to accept the selling of artifacts if they ever want to see the wrecks. Some archaeologists counter that if society will not pay to excavate important wrecks now, they should remain undisturbed until the money is available.

The National Park Service is drawing up guidelines that it hopes will at least dampen the market for recovered antiquities. Says Walter, "We'd like to see auction houses refusing to handle tainted goods." But getting nations to agree to ban treasure hunting is probably a losing proposition. As Woods Hole's Andrew Bowen notes, "We can't even stop the sale of ivory throughout the world."

by Betsy Carpenter

# A criminal lack of common sense

**T**he life story of Warren Bland is one of those tales evenly divided between the viciousness of the criminal and the folly of the criminal-justice system. Consider this career:

In 1958, Bland stuck a knife in the stomach of a man in a Los Angeles bar and got off with probation. In 1960, he was arrested in a series of sexual assaults on women in Los Angeles County. Three women fought back and avoided rape. One had her jaw broken in the process. Originally charged with one rape, three attempted rapes, a kidnapping and a robbery, he plea-bargained down to one rape and one kidnapping and was sent to a state mental hospital under the state's "mentally disordered sex offender" program, which has since been abandoned. The hospital warned that Bland was a sexual psychopath who would be "assaultive and/or homicidal toward women" if released.

For seven years, Bland was studied, interviewed, counseled, psychoanalyzed and "treated." In the process, the hospital disregarded its own warning. Always expert at simulating rehabilitation, Bland was hailed in a probation report for his "complete change and attitude toward his problem," and the hospital set him free.

Within months, he was back at his chosen life's work, violent sexual attacks. He was convicted of two more rapes. At his sentencing, another dark report announced that Bland was "clearly a dangerous individual who warrants segregation from society for the longest time that is possible under existing laws."

Existing laws being what they are, Bland served just seven years. Shortly after his release, he kidnapped an 11-year-old girl and her mother. The mother was molested. The girl was sexually assaulted and tortured.

In yet another of those compassionate criminal-justice breaks that kept coming his way, Bland plea-bargained and served only three years for those crimes. The crimes were growing more violent; the jail terms were getting shorter.

**Lethal habits.** Eight months after his release, Bland was back in jail, this time for sodomizing and torturing a small boy. At this point, in any sensible society, Bland would have been tossed into a dungeon for the rest of his life, but in California he plea-bargained for 9 years and served only 4½ years.

Bland got out again in early 1986. In December, Phoebe Ho, age 7, disappeared while walking to school in South Pasadena. She was found dead in a ditch in Riverside County, mutilated with the kind of instruments Bland had used before. A 14-year-old girl in Orange County died the same way, and an 81-year-old San Diego woman was found bound, nude and choked to death, with Bland as the chief suspect.

Sought in the Ho murder, Bland fled and was found by police—working under an alias in a McDonald's in Pacific Beach. He was wounded in the buttocks while trying to escape. In his car, police found a gun and

BY JOHN LEO

evidence linking him to Ho. He was charged with her murder.

Enter the Feds. Larry Burns, an assistant U.S. Attorney in San Diego, filed federal charges against Bland under the Armed Career Criminal Act, the brainchild of Senator Arlen Specter (R-Pa.). This fairly new, fairly obscure legislation was passed in 1984. As originally written, it provided that anyone caught with a gun after three burglaries or robbery felonies will go to jail for a minimum of 15 years to a maximum of life imprisonment, with no possibility of parole. The act was amended and enlarged in 1986 to apply to anyone who had committed three crimes of violence or serious drug offenses.

In his brief to the court, Burns noted dryly that "a public perception has arisen, in California in particular, that the stewards of our criminal-justice system have

failed to come to grips in a realistic and common-sense manner with the mounting crime wave." This is lawyerly understatement. What he might have said is that the state of California botched the Bland case for three decades and is implicated by its incompetence in the savage murder of little Phoebe Ho. It has known for 29 years that Bland is a violent sexual psychopath, yet it let him go five times.

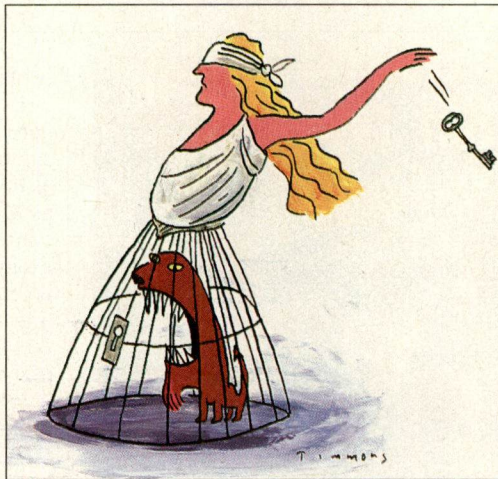
This casual approach did not end with Bland's latest arrest in Pacific Beach. Nearly three years after Ho's death, the Riverside County prosecutor still has not managed to hold even a preliminary hearing in the case. If it

continues at its current pace, the case could easily drag on for another three to five years.

As Burns notes, if the criminal-justice system fails to protect the citizens, the public will lose confidence and turn to vigilantism. Yes. And if the nation is serious about crime, it will not release sexual monsters like Bland every few years and simply let victims pay the price for the next brief round of confinement.

The lack of seriousness about violence was the real source of the outrage over Willie Horton, just as it was in the outrage over the misguided policies at the Patuxent Institution in Maryland, where a triple-murderer serving a life sentence was allowed unsupervised furloughs. The Patuxent program is being revamped, a straw in the wind. Another such straw is the announcement by New York Governor Mario Cuomo that he now favors a lifetime sentence without parole for some hardened criminals, a position he adopted when opponents of his seventh annual veto of the death penalty appeared to have enough votes to override.

The Armed Career Criminal Act also fits this new realism. Under this act, it took only 30 minutes in court for Larry Burns to accomplish what the state of California failed to do for 30 years—take Bland off the streets permanently. With no fanfare at all, the sentencing came last week. Warren Bland will stay in federal prison for the rest of his life. ■



BONNIE TIMMONS FOR USN&WR

# BUILT-IN AUTOMATIC ANXIETY REDUCTION

**AUTOMATIC DOCUMENT FEEDING**

**AUTOMATIC REPRODUCTION RATIO**

**AUTOMATIC DUPLEXING**

**AUTOMATIC EXPOSURE**

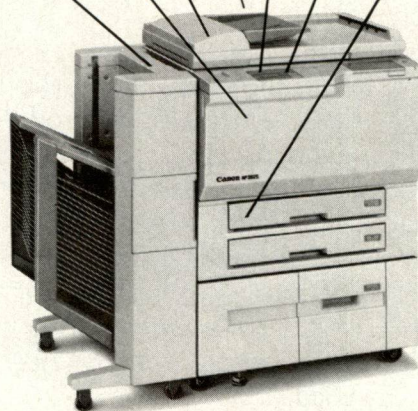
**AUTOMATIC SORTING OPTIONS**

**AUTOMATIC PAPER SELECTION**

Frantically looking for a dependable 25-cpm copier? Relax.

Canon's new Anxiety Reduction Series takes the worry out of copying.

Innovations like a long-life copying drum, sophisticated fine-grain toner and self-diagnosing control panel were specifically designed to give you more copies and fewer headaches.



And whether you choose the NP 3825 with its duplexing, editing and color capabilities or the more basic productivity of the NP 3325, you can count on the Anxiety Reduction Series to deliver what you need most from your office copier. Increased reliability without increasing your blood pressure.

**Canon NP 3825/3325**  
*Anxiety Reduction Series*

Canon  
1234 5678 9  
1011 12 Enjoy easy extended payments with the Canon Credit Card. Ask for details at participating Canon dealers and retailers. Available only in U.S.



**JUST SAY NO.**

America is hooked on foreign oil. Today, we import almost 40 percent of the oil we use—even more than in 1973, when the Arab embargo plunged us into gas lines, rationing, and recession.

The more we can use nuclear energy, instead of imported oil, to generate electricity, the less we have to depend on foreign nations.

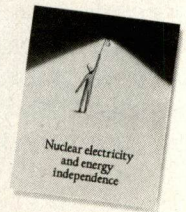
The 110 nuclear plants in the U.S. have cut our foreign oil dependence by over three billion barrels since 1973. And they have cut foreign oil payments by over one hundred billion dollars.

But 110 nuclear plants will not be enough to meet our growing electricity demand. More plants are needed.

To help kick the foreign oil habit, we need to rely more on

our own energy sources, like nuclear energy.

For a free booklet on nuclear energy, write to the U.S. Council for Energy Awareness, P.O. Box 66103, Dept. SN03, Washington, D.C. 20035.



U.S. COUNCIL FOR ENERGY AWARENESS

**Nuclear energy means more energy independence.**

# America's No. 1 tipster

## EYE ON WALL STREET ■ Has success spoiled Dan Dorfman?

No one serves up hot stock tips as frequently or as preciently as does Dan Dorfman. In his twice-a-week investment column for *USA Today*, and in regular appearances on Cable News

Network's nightly "Moneyline" show, the superstar among financial journalists puts investors time and again onto what they hunger for most: The name of the next possible takeover candidate. Dorfman speaks, and stock prices pop.

But a lot of people would love to know who Dorfman's sources are. Others wonder if, under the constant pressure to come up with new tips for his columns and television appearances, Dorfman cares who these sources are and what their motives might be. The Securities and Exchange Commission, *U.S. News* has learned, is currently looking into whether Dorfman, wittingly or unwittingly, is being used by individuals who give him information in order to manipulate the stocks he writes about. If true, that would at least call into question the veracity and value of his exclusive tips.

**Latest pundit.** Dorfman is only the latest in a line of 20th-century stock-market gurus who have transfixed investors for a time. Market theorist Robert Prechter rode to new highs along with the bull market in the mid-1980s until the crash of October, 1987, did him in. In the early part of the decade, the pronouncements of forecaster Joseph Granville often made the market swoon or soar. Besides reeling off Broadway and Hollywood gossip, Walter Winchell also touted stocks on the radio in the 1940s, not always successfully. Today, a knock from *Barron's* Editor Alan Abelson can send a stock tumbling. *Business Week's* Gene Marcial, who does the "Inside Wall Street" column, and the *Wall Street Journal's* "Heard on the Street" column often affect the price of a stock that has been written up.

But Dorfman's recent series of stunning takeover scoops has elevated him into a class by himself. In June, he reported that Paramount would soon make a run at Time, Inc., and in July he disclosed that Denver oilman Marvin Davis had taken a position in UAL Corporation, the airline holding company that Davis is now negotiating to buy for \$5.4 billion. "Dan is the No. 1 tipster in the market today and the most plugged-in guy on Wall Street," boasts Dorfman's



DANA FINEMAN

### TIPS WITH CLOUT

A Dan Dorfman exclusive is often followed by a jump in a company's stock price the day his column runs. Some recent examples:

**August 10:** "USA Today has learned that Centaur Partners . . . acquired about 3 percent of Tambrands. . . . The presence of the group . . . could lure other interested investors."

**Tambrands, Inc. +3¼**

**August 9:** "A group of investors led by Charles Dolan . . . has acquired a stake in Paramount Communications and may seek control, USA Today's Dan Dorfman has learned."

**Paramount +2½**

**July 18:** "USA Today has learned that Centaur Partners . . . is . . . weighing [a] cash bid" for Goodrich.

**B. F. Goodrich +2¾**

**June 23:** "USA Today has learned Paramount is on the verge of raising its offer for Time. . . . The higher bid could come in the next few days."

**Time, Inc. +10½**

**June 19:** "Peltz, I've learned, has taken a stake in the chemical giant, though the size and reason for the purchase are unclear."

**Union Carbide Corporation +2½**

editor at *USA Today*, Thomas Paterno.

Even his competitors view him with awe. "Everyone in the investment community feels they have to watch him and listen to him," notes Richard Silverman, who works for the Dow Jones Professional Investor Report (PIR), a wire service sold mainly to traders and other market pros to provide everything from hard information to scuttlebutt on why a particular stock is moving up or down in price. Often the reason behind a movement is some item that has appeared in Dorfman's column. "There are even traders who set their videocassette recorders to his TV show," says Silverman, "so they will be able to catch what he said when they come home."

Dorfman's impact reached an absurd new height on August 3, when *USA Today* touted his next day's column in the upper right-hand corner of its Money section, noting that Dorfman's subject would be whether the takeover speculation in Disney stock was "for real." Without a scrap of information about what Dorfman would say the next day, investors helped push the stock higher by several points. When the column appeared, it turned out Dorfman was dubious that a Disney takeover was in the works. The stock promptly dropped.

Clout is attended by controversy. It is only natural to expect that some of the sources who provide confidential information to Dorfman do so out of self-interest, and he acknowledges that this may sometimes be the case. "I feel people use me, but I also use the user to get information out to the average person," he said last week at his *USA Today* office in New York. His role, he said, is to provide investors with the market information that normally circulates only in the superheated Wall Street rumor mill. "I'm an equalizer. I tell the masses what a few chosen people already know."

But what are investors to make of the information he provides? Dorfman insists that he does not offer picks, only news about what is affecting a stock's price. "No one should ever buy a stock based merely on anything I write or say," he declares. Nevertheless, when Dorfman provides such information, investors eager to make a quick buck obviously trade on it with a vengeance.

Besides his unquestioned ability to ferret out market scoops, Dorfman is uniquely ready to deal in rumors, or to report that someone has bought a tiny

stake in the company and could be considering a takeover. Only when an investor has bought up at least 5 percent of a firm's outstanding shares does the SEC require a "13-d" disclosure of the purchase, which must state the buyer's intentions. Most other investment columnists will not report such small positions. "If the position is under 5 percent, you run the risk of reporting information that might move the stock, while the person or firm that has accumulated the position doesn't have to disclose it and could in fact be taking advantage of the price rise," says Timothy Andrews, managing editor of Dow Jones's PIR news wire.

**The probe.** The SEC investigation deals with Centaur Partners, a Maryland-based investment partnership that Dorfman has mentioned repeatedly in the past 14 months. The SEC wants to know whether Centaur, in establishing small initial positions in several prominent companies, may be manipulating the market in the companies' stock. When Dorfman reports that Centaur is buying shares in a company, spurring a rise in the price of that stock, the question is whether Centaur has in fact been selling shares to investors—who are then left holding the bag when the price drops later in the absence of a takeover.

Separately, say *U.S. News's* sources, the New York Stock Exchange's computerized "stock watch" surveillance system has detected unusual trading activity in several of the stocks in which Centaur bought stakes, as reported by Dorfman. Spokespersons at both the SEC and the NYSE declined to confirm or deny that any such probes were in progress.

Dorfman denied that he has been a party to any manipulation, and expects any investigation to clear him totally. "I take great pride in my integrity," he declared. "I don't screw around." He also said that he has received no calls or requests for information from either the SEC or the Big Board.

Centaur Partners, the focus of the SEC probe, made an unsuccessful bid last year for Pennwalt, the Philadelphia chemical company eventually purchased by Elf Aquitaine of France. Centaur came away with about \$45 million for its efforts. Dorfman was the first to report that Centaur had amassed a 6.5 percent position in Pennwalt, just prior to the company's disclosure of the information in a filing with the SEC. Dorfman has also in recent months reported that Centaur has taken toehold positions of less than 5 percent in two other chemical firms, Cleveland-based Ferro and B. F. Goodrich of Akron, Ohio, the former tire company. Dorfman reported last Thursday that Centaur Partners had bought 3 percent of Tambrands, the country's leading

maker of tampons. The stock of each of these companies immediately jumped several points after Dorfman's column ran. On July 18, Dorfman disclosed in an article that Centaur had sold its Ferro stake "after the stock ran up." The SEC can construe such selling as manipulation only if some link is established between Centaur's actions and what Dorfman reported.

The case will be tough to investigate, let alone prove. Dorfman swears that he will keep his sources secret and believes that, as a journalist, he is protected by the First Amendment. He also insisted that no one from Centaur had given him information. "Raiders do not call up and say they own stocks," he said. "I come up with that kind of information on my own."

Meanwhile, Maryland businessman Melvyn Estrin, president of one of the limited partnerships that make up Centaur, rejects any allegations of manipulation and denies ever giving any information to Dorfman. He, in fact, indicates that some of the financial journalist's reports might be in error. "Suffice it to say he is not always right," says Estrin.

In Centaur's bid for Pennwalt, the target company's management aired some dirty Centaur linen. A number of principals, it seemed, had had run-ins with the SEC and other agencies. One Centaur principal, Abbey Butler, had twice declared personal bankruptcy. Butler also was censured by the SEC in 1976 for securities manipulation, was permanently enjoined from further violations and had been censured by the National Association of Securities Dealers in 1971. At the start of 1989, the units that constitute Centaur Partners formed SMC Acquisition Corporation to make a run at Standard Microsystems of Long Island. They withdrew and signed a standstill agreement after the semiconductor firm filed a lawsuit alleging SMC had tried to put the company "into play" to make short-term profits and had "primed the market" through the "selective release of information concerning their plan to commence a tender offer."

Dorfman has never been charged or suspected of profiting personally from his information or from the effect of his column. Leaks from the column are non-existent. And he is careful to disclose the few stocks he does own.

The indefatigable Dorfman concedes that he is under the gun to keep coming up with dynamite new material. It would be unfortunate if, in the rush to publicize exclusive new tips, Dorfman inadvertently serves interests other than those of his wide audience of investors. ■

by Jack Egan

## Is it time, once again, to bail out?

**INVESTING** ■ Today's stock market differs from 1987's, experts say. Maybe. But a few defensive moves are in order

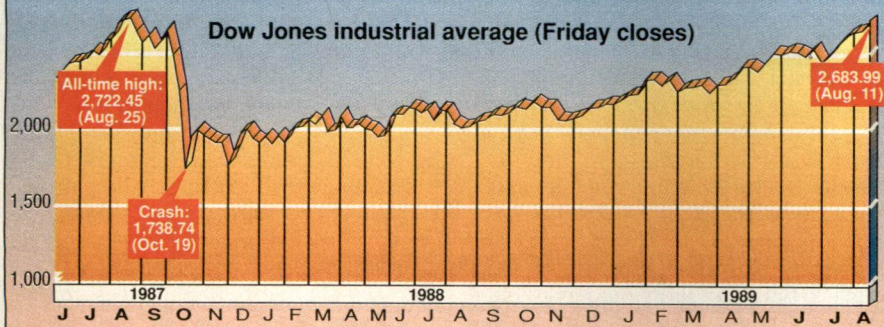
**W**all Street's week was taut with significance. Two years after reaching a high of 2,722 and then suffering the most precipitous crash in history on Oct. 19, 1987, the Dow Jones industrial average dallied with a new high all week, finally breaking through to 2,728 on Thursday but then settling back and finally closing Friday at 2,684. Still, the virtually uninterrupted climb back is all but complete.

Now, inevitably, comes the question: Is it time to get out? Most Wall Street market analysts, money managers and economists say no, maintaining that the stock market's new peak has little in common with its 1987 high. "Two years ago, stocks were overpriced by most measures, and now they are fairly priced," says Alfred Goldman, director of technical analysis for broker A. G. Edwards in St. Louis. "Bonds were com-



## Reaching for another high, and beyond

Although the Dow Jones industrial average is toying coquettishly with its all-time high, few analysts predict another crash like the calamity of October, 1987. Most argue that the market was overvalued then and fairly valued now. The question on most minds, rather, is what will happen once the 2,722 level is breached.



Note: Figures are Friday closes, except when holidays fall on a Friday, and all-time high and crash.

KAREN SMITH—USNA/WF

peting for investors' funds with yields of 10 percent and higher, while now they yield 8 percent and are dropping. And the majority opinion was that stocks would just keep going up, up and away."

Indeed, market guru Robert Prechter started off 1987 by predicting that the market would hit 3,600. Investment capital from abroad seemed bottomless. Large corporations were being taken over, or taken private, in huge deals financed largely with high-risk, high-yield junk bonds. Stock prices soared as speculators assigned new and higher values to companies they thought might be the raiders' next targets. The escalating prices pulled other stocks along in their wake. And

bulls stood ever ready to explain why stocks deserved such lofty prices.

In the current market, corporate profits are up. The higher earnings mean that while the Dow is no higher than it was two years ago, the price-to-earnings ratio, a measure of how much investors

will pay per share for every dollar per share in corporate earnings, is down from more than 20 two years ago to a much more comfortable 13.

**A frothy head?** While Wall Street is generally sanguine about the market's price level, analysts differ on the ride investors face if the Dow moves, as some predict, to 2,800 or higher. "Above 2,722, we'll have to see how much froth and speculative activity the market produces," says Gene Jay Saegle, director of technical analysis for Gruntal & Company, a Manhattan-based brokerage. Wall Street's worrywarts have their eyes on three potential problems:

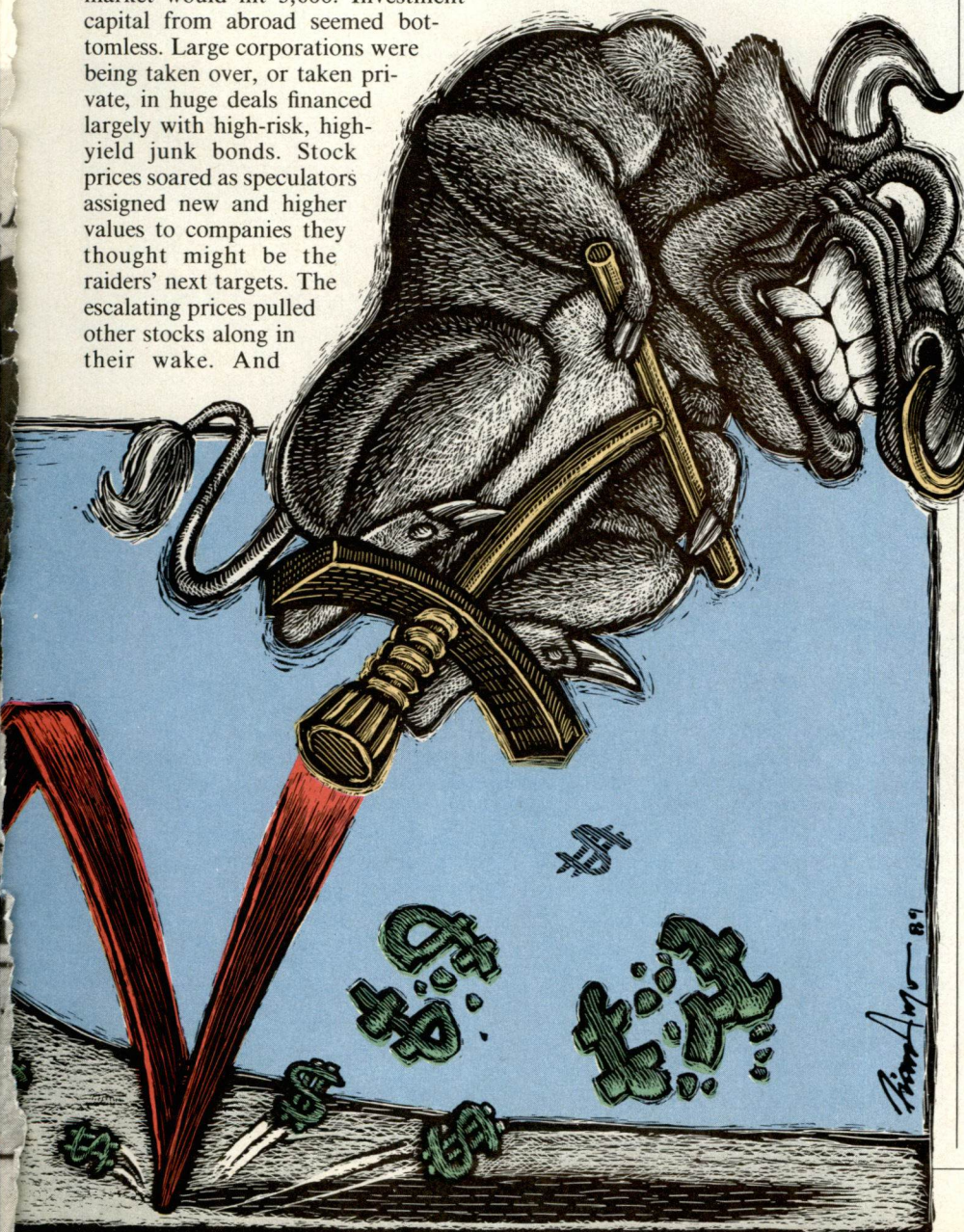
- Program trading, a computer-driven trading technique favored by institutions and partly blamed for the volatility that preceded and exacerbated the October crash, has begun rearing its ugly head again. As program traders have bought and sold huge quantities of stocks in rapid-fire succession, the market has regained some of its volatility.

- Takeover fever has begun pushing some stocks up on investor hopes that more companies will become targets. Just last week, oil tycoon Marvin Davis bid \$5.4 billion for UAL Corporation, parent of United Airlines.

- The Fed has recently eased its efforts to wring inflation out of the economy, but some observers see a possible slide into a mild recession. An unexpectedly deep recession could make it difficult for some debtors to make their interest payments, producing widespread defaults. Edward Hyman, an economist with C. J. Lawrence, Morgan Grenfell in New York points out that corporate and consumer debt is now some 80 percent greater than the gross national product, much higher than it was during the recession of the early 1980s.

Many on Wall Street contend the stock market will continue to rise because of fewer public companies and fewer shares available to meet investor demands. "Almost \$200 billion in stocks has been taken out of the system by companies buying back their own shares and others being taken over," says Michael Metz, chief market analyst at the investment house of Oppenheimer & Company in New York. "That has left institutions and individuals with \$200 to \$300 billion in liquid assets."

Higher stock prices, however, carry a greater risk of a downturn. "If a lot of money suddenly pours into the market, things could get overheated," says Richard Reiss, Jr., a top Manhattan money manager. Mutual-fund sales reflect investors' reluctance to repeat their errors of 1987. While stock mutual funds



gained more than \$21.8 billion in the first six months of this year, that was only half the \$42.2 billion that poured into equity funds in the first half of 1987.

With money-market yields falling from 9.19 percent in April to a recent 8.33 percent, the tendency might be to join the stock market's upward march. But some urge caution. "Stocks can move higher," says Richard B. Hoey, chief economist at Drexel Burnham Lambert. "But not another thousand points higher."

Investors who want absolute safety have an obvious alternative in money-market funds or Treasury securities. If history is any guide, however, these cash equivalents will hardly generate the long-term returns available from stocks or bonds. Heeding Wall Street's advice to stay in if they are already in, wary investors with individual stocks in their port-

folios will pay nothing to instruct their brokers to enter stop-loss orders. For a stock trading at \$30, say, you might enter a stop-loss order 10 percent less, or \$27. Your broker will then automatically sell the shares if the price drops to that level. As your stocks rise, you may want to raise the stop-loss level.

**Advice from pros.** While you may not be able to pick the right stocks, there are professionals who can. According to Heidi Steiger, managing director of Neuberger & Berman's individual-asset-management division, investors have flocked to professional money managers at her firm and elsewhere since the crash. Says Steiger: "October 19 taught people they couldn't invest by themselves."

Most investors, however, lack the minimum account of \$250,000 to \$500,000 that most money managers require. One way to get in is through mu-

tual funds. Kurt Brouwer, a San Francisco money manager who specializes in no-load mutual funds, thinks the market will go higher, pull back and then shoot to 3,000. He says investors should put about 65 percent of their money into stock funds and the rest into bond funds to protect themselves if the market falls, since bonds tend to rise as stocks drop.

Even if the market goes to 3,000 and then drops 200 points, says Gruntal's Saegle, this 7 percent decline would not hurt most investors. Should a bear market ensue, Jim Rogers, one of Wall Street's most famed investors, thinks it will lack the calamitous impact of a crash. "When it finally comes, you'll just lose money every month," he says. "It will be a nice, old-fashioned bear market." ■

by Daniel P. Wiener in New York  
with Terri Thompson and Eva Pomice

## Stock picks from an expert panel



Two years ago, just as the bull market neared its all-time peak as measured by the Dow, *U.S. News* asked five market seers how individual investors should view the market and

which specific stocks to consider. We went back to some members of 1987's panel and added some fresh faces for a new set of views on the current market. Following a wide variety of strategies, the four bulls found plenty of stocks to choose from. The lone bear went for the gold.

### MIXED BAG

John Connolly  
*Dean Witter Reynolds*

The chairman of Dean Witter's investment-policy committee sees a possible 3,200 by next August. He is partial to interest-sensitive companies like banks, which cut rates paid to savers when interest rates fall. Connolly feels that drug stocks are primed for growth and that some cyclical stocks, particularly technology issues, are recovering.

	52-wk. high	52-wk. low	Recent close
Chemical Bank	39½	30	38¾
Citicorp	34½	22½	32½
Schering-Plough	77¾	49½	75
Hewlett-Packard	61½	43¾	55¾
Lotus Development	28¼	14¾	27

### SAFE, NOT SEXY

Nola Falcone  
*Lieber & Company*

Whether the economy soars or slumps, says the manager of the top-performing Evergreen Total Return mutual fund, high-yield stocks let you hedge your investment bets. Should the market tumble, dividends can cushion the impact, making Falcone's strategy "a middle-of-the-road approach with above-average results."

	52-wk. high	52-wk. low	Recent close
Bristol-Myers	52½	40¾	47⅞
First Bancorp, Ohio	33½	26½	33½
Freeport MacMoRan convert. pref.	38	27¼	35½
UJB Financial	26⅞	19⅞	26⅞
Kansas Gas & Electric	24¼	18⅞	22¾

### OUNCE OF PROTECTION

Paul Stuka  
*Stuka Associates*

Stuka, a Boston money manager, found plenty of bargains in 1987. But he has turned bearish and says a disaster is in the cards. Although he thinks gold prices could drop an additional \$20 to \$30 an ounce in the short term, he plans to begin buying soon. Gold stocks, which rose during the crash, are one way to keep from hibernating.

	52-wk. high	52-wk. low	Recent close
Echo Bay	19¼	12¾	16⅞
Homestake Mining	15	12⅞	13½
Newmont Mining	45⅞	31½	41
Battle Mountain	16½	13	13½
Placer Dome	16¾	11⅞	16

### MARKET LAGGARDS

Elaine Garzarelli  
*Shearson Lehman Hutton*

Stocks that have lagged behind the market's run-up or have been knocked down because investors think a slowing economy could hurt their prospects are Garzarelli's picks. While the worst year-to-year decline in corporate earnings should come in the first quarter of 1990, she thinks profits will accelerate again after that.

	52-wk. high	52-wk. low	Recent close
International Paper	57½	42½	56¾
Dow Chemical	100½	81	98¼
Woolworth	63½	46¾	63½
Digital Equipment	122¾	86¾	101¾
IBM	130⅞	106¼	117½

### ASSET PLAYS

Arnold Schmeidler  
*A. R. Schmeidler & Company, Inc.*

"We never believed a recession was something that *has* to occur," says Schmeidler, a New York money manager. Schmeidler continues to shop for companies that, among other things, generate large cash flows, have consistent earnings and undervalued or "hidden" assets and whose managers regularly raise dividends.

	52-wk. high	52-wk. low	Recent close
Du Pont	119⅞	78½	118¾
Phelps Dodge	70⅞	37	68⅞
Burlington Resources	51¾	25½	45¾
GTE	60⅞	39¾	59¼
Vanguard Cellular	41¾	12¼	30¼

# A wardrobe of accessories for the fashionable cyclist

**SPORTS** ■ All kinds of gear and gadgets are on the market that make a bicyclist's ride safer and more comfortable

**S**erious cyclists these days pick the perfect bike and load up on gizmos, too. Last year, Americans spent \$1 billion on bike clothing, accessories and parts, nearly as much as on the bikes themselves. Here is a sampling of the latest gear. Most is available at bike shops or, where noted, by mail or phone.

■ **Helmets.** The latest helmets are ventilated featherweights designed to satisfy even racers who have traditionally gone bareheaded rather than add weight and drag. This year, Greg LeMond won the Tour de France in a custom-made foam helmet by Giro similar to the company's \$120 Aerohead. Recreational riders might choose Bell's \$65 Image helmet, which weighs about 9 ounces. Quality helmets bear stickers from the American National Standards Institute (ANSI) or the Snell Institute, organizations that set standards for helmet safety.

■ **Gloves.** Gel or polymer-filled gloves can prevent blisters, as well as painful scrapes should you fall. Cyclepro's \$29 mountain-bike gloves feature gel-padded palms and three-quarter-length fingers, which give more protection than standard fingerless gloves.

■ **Lights.** The typical bicycle headlight is little more than a flashlight, barely visible on the road. Brite Lite's \$110-to-\$130 halogen lamp and rechargeable-battery systems supply ample light for most recreational riders. Nightsun's \$145 Hi-Power System, with its 40-watt high beam and 20-watt low beam, is nearly as bright as a car headlight.

■ **Saddles.** The best seat in town rarely comes with your bike. The usual skinny saddle works best on racing-style bikes, whose dropped handlebars throw most of the rider's weight onto his arms. Riders who sit nearly upright need a wider saddle for more support. A good bike shop can help match your anatomy with the right saddle. Avocet makes several styles of gel saddles for \$27 to \$33 that are padded with a soft, shock-absorbing material. The Waveflo strap-on saddle pad, \$27 to \$32, molds to your bottom while you ride, then holds its shape.

■ **Cargo carriers.** Unless you haul camping gear, Cycle Caddy (800-456-7500), a

\$35 plastic container that wedges into the bike frame, should suffice. It's big enough for a camera and lunch. Bikers with only small items such as film and keys can stow them in the \$19.95 Bicycle Safe (P.O. Box 11795, Washington, D.C. 20008), which locks around the seat tube.

■ **Cyclometers.** Racers and fitness bikers can monitor their workouts with a matchbook-size computer like the \$37.95 Avocet 30, which mounts on the handlebars. It serves as a stopwatch and displays current speed, elapsed distance, top speed and total distance.

■ **Pumps.** Rhode Gear's \$25 AT-60, a tough plastic pump for all-terrain bikes, inflates on both push and pull strokes to quickly fatten a patched flat. Pumping a road-bike tire takes longer with the \$17 Vetta Micropump, but it weighs only 2½ ounces. Most convenient of all is Air Zefal, a CO<sub>2</sub> cartridge that inflates tires in mere seconds. For one-time use, it comes in road or mountain-bike size,

\$8 a pair and \$7 for the valve adaptor.

■ **Locks.** As thieves get more sophisticated, so do locks. The makers of Kryptonite's U-shaped \$35 hardened-alloy-steel K4 model are so sure of its tamper resistance that it carries a one-year \$1,000 antitheft guarantee. It is valid everywhere except New York City, where a bike thief will probably knock down the lamppost your bike is shackled to and steal it, too. ■

by Vic Sussman



First Anniversary. Second Anniversary. Third Anniversary. Fourth Anniversary.

She does enjoy all the cookbooks you've given her. But she now has three more than the Library of Congress.

This year, tell her you'd marry her all over again. The Diamond Anniversary Band. A diamond is forever.

Suggested retail price for rings \$3,995-\$5,900. For more information, call 800 421-8208 or 213 286-9100. ©All Designs Copyright Uniqem 1989

Uniqem

# New kids' shows worth watching

**TELEVISION** ■ A preview of the fall lineup on the networks, cable and video

**T**uning into a test pattern would be preferable to watching most of the new fall TV programs for children. Aside from a couple of potential gems, the networks are shoveling forth their usual array of Saturday-morning cartoons and mindless family sitcoms. And the Public Broadcasting System is so strapped for cash that it will introduce only one new kids' series, and that won't air until early next year. But by tapping into cable TV and home videos, parents can provide their children with a broad array of educational and entertaining shows and tapes. Here is what's in store on the tube and on video during the months ahead.

## ■ The networks

TV shows for family audiences tend to range between unbelievably wholesome and utterly ridiculous. But reality intrudes nicely in "Life Goes On," an ABC series about a family including a child with Down syndrome, a form of mental retardation. Christopher Burke, born with Down syndrome, plays 18-year-old Corky, who transfers to a regular high school after years of special education. Warm, funny and rarely mawkish, the show gives children and adults a sense of what it is like to have a Down child in the family and how such a person feels.

Aside from "Life Goes On," the best the networks have to offer children comes in the afternoon. ABC's "Afterschool Specials" and CBS's "School-break Specials" each will air about six new episodes. Leading off will be "My Dad Can't Be Crazy . . . (Can He?)," about a family's efforts to cope with Dad's mental illness. (ABC, September 14) and "Frog Girl: The Jenifer Graham Story," based on the true story of an animal lover who refused to dissect a frog in biology class (CBS, October 17). Past shows have won praise for their treatment of controversial topics, and some acclaimed repeats will be shown this year, including "Date Rape" (ABC, September 28).

For shows that teach as well as entertain, families have come to rely on PBS. "Tales from the Brothers Grimm," the sole new PBS entry, takes Old World fairy tales and places them in the Appalachian Mountains in the 1940s. The series' three, hour-long installments will air early next year. In the meantime, "Sesame Street" will be back with fresh

episodes, and the students of "DeGrassi Junior High" will graduate to "DeGrassi High." The mid-January opener for this gritty series examines a pregnant girl's decision to have an abortion.

Families looking for a little comic relief might try "The Simpsons," the Fox Network's prime-time animated series. Older viewers may recall the hell-raising

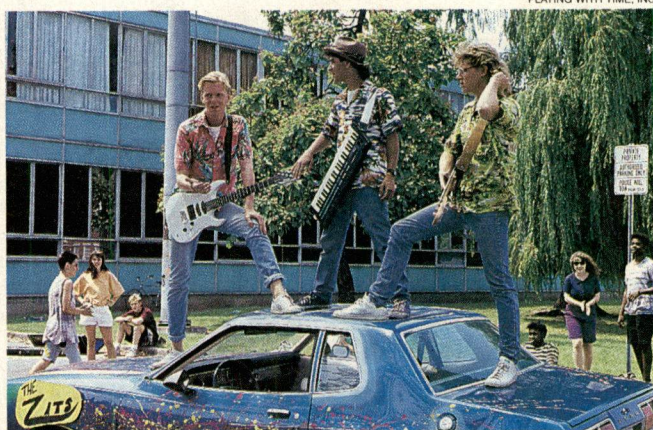
Simpson kids and their bickering parents from "The Tracey Ullman Show." If the cartoon series is as funny as the short takes, this could be a show parents and kids can laugh at together.

## ■ Cable

The new offerings on cable are commendable, if not completely original. "Eureka's Castle," a "Sesame Street" wanna-be, makes its debut on Nickelodeon on September 4. The show uses puppets to teach tots the usual kid skills of sharing toys and coping with bullies. Where "Sesame Street" has Big Bird, "Eureka's Castle" has Magellan the Dragon, and two trash-loving puppets not so vaguely reminiscent of Oscar the Grouch. The show lacks the wit of "Sesame Street," but its gentle spirit should appeal to little kids. Nickelodeon also will introduce "Fred Penner's Place," a Canadian series starring the second-most-famous singer for preschoolers next to Raffi. The Disney Channel, which revived the "Mickey Mouse Club" in April, turns to nature in its new series "Super Sense." The six parter shows how fish, birds and other critters use their senses to survive.

## ■ Video

The best of the new videos draw on children's stories for inspiration. "The Maurice Sendak Library" is one of four new titles from Children's Circle (\$19.95), which has made enchanting videos of "Dr. De Soto," "The Mysterious Tadpole" and other stories by using finely crafted animation, vibrant narration and lively music. Sony Video also produces excellent tapes



**Class act.** School is back in session on PBS's "DeGrassi High"



**Playful puppets.** The cast from cable's "Eureka's Castle" **"Life Goes On." A family copes with Down syndrome on ABC**

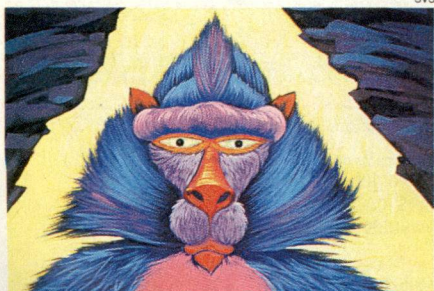


**Top tape.** Bambi, Thumper and the gang debut on home video

for children by commissioning original art for classic tales and by hiring celebrity narrators and musicians. On the fall schedule are Rudyard Kipling's "How the Leopard Got His Spots," read by actor Danny Glover, with music by the South African group Ladysmith Black Mambazo, and "Thumbelina," read by actress Kelly McGillis (both \$14.95).

This fall's releases also include the venerable "Bambi" (Disney, \$26.99) and "Song City USA," which offers an alternative to MTV with clever tunes like "Dinosaur Rap" and "Peanut Butter Blues" (Scholastic, \$14.95). "Song City"

svs



**Cat tale.** Kipling's "How the Leopard Got His Spots" is coming on video

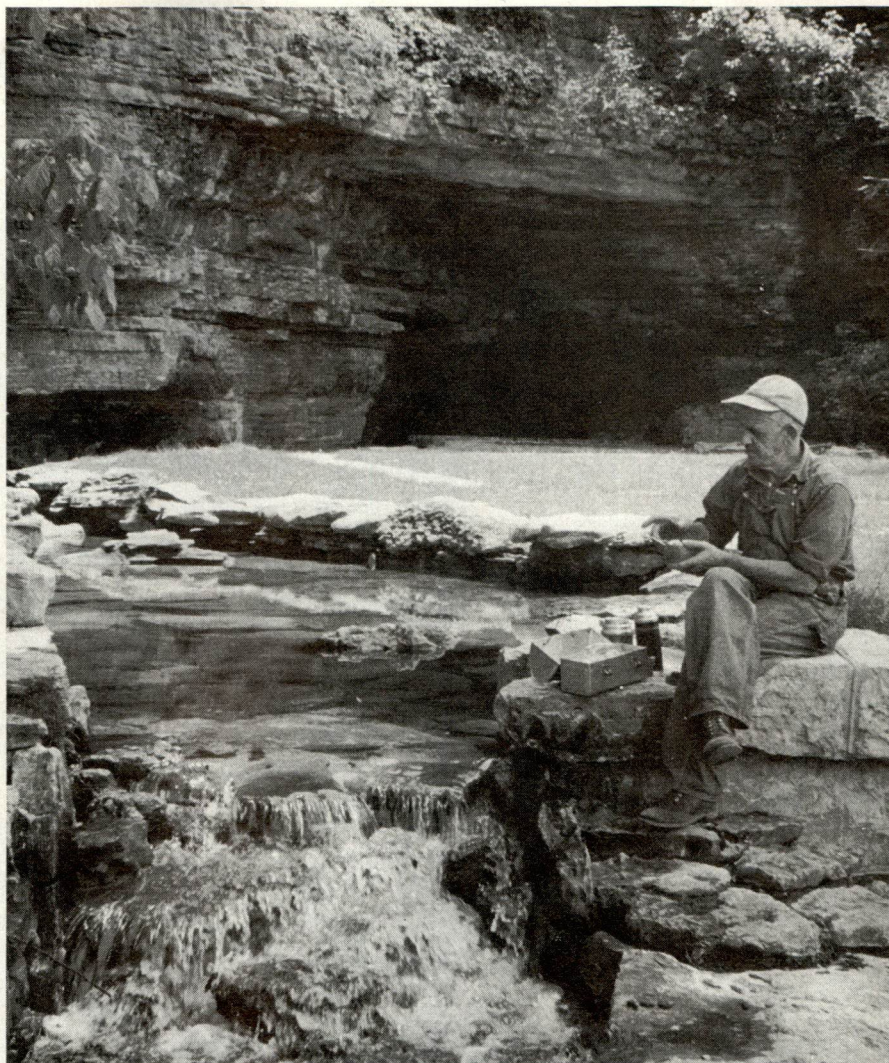
eschews the sex and violence of rock videos for hippos on surfboards and other such whimsy.

**Video boom.** A new series of Dr. Seuss videos (Random House, \$9.95) sounds promising, but there is far too much wordplay and not enough plot to hold a child's interest. "Richard Scarry's Best ABC Video Ever!" (Random House, \$14.95) is a bit slow, although preschoolers may like its cutesy animal characters.

Videos for kids are now the fastest-growing segment of the market, with 25 percent of the titles aimed at youngsters. However, large video clubs, which stock mainly mass-market fare, are not always the best places to shop. For lesser-known but worthwhile tapes such as "Abel's Island," the story of a marooned mouse, and the "Ramona" series, based on Beverly Cleary's children's books, parents are better off turning to toy stores and children's book outlets.

The fall will also bring a bit of price relief for video-library builders. Children's Circle recently cut prices on individual tapes in its library from \$22.50 to \$19.95. On September 28, Disney will reduce its \$14.95 line to \$12.99, and other companies are expected to follow. But beware of hucksters bearing free videos. "Video Toy Chest," to be given out at malls across the country in October, is 75 percent toy commercials, with a few public-service messages and quizzes thrown in. ■

by Marc Silver



Do you recall your first Jack Daniel's? We'd love to hear about it if you do.

AT JACK DANIEL'S DISTILLERY, we're blessed with an unusual cave and special ironfree water.

Not many distillers have a stream of cool, cavespring water flowing just outside their door. But that's what we possess right here in Jack Daniel's Hollow. And we've used it to make our Tennessee Whiskey since 1866. Just watching this old stream meander along is a nice way to pass idle moments. Discovering how it flavors Jack Daniel's, we believe, is the nicest moment of all.

SMOOTH SIPPIN'  
TENNESSEE WHISKEY



Tennessee Whiskey • 40-43% alcohol by volume (80-86 proof) • Distilled and Bottled by Jack Daniel Distillery, Lem Motlow, Proprietor, Route 1, Lynchburg (Pop 361), Tennessee 37352

MATT ZANG FOR USN&WR

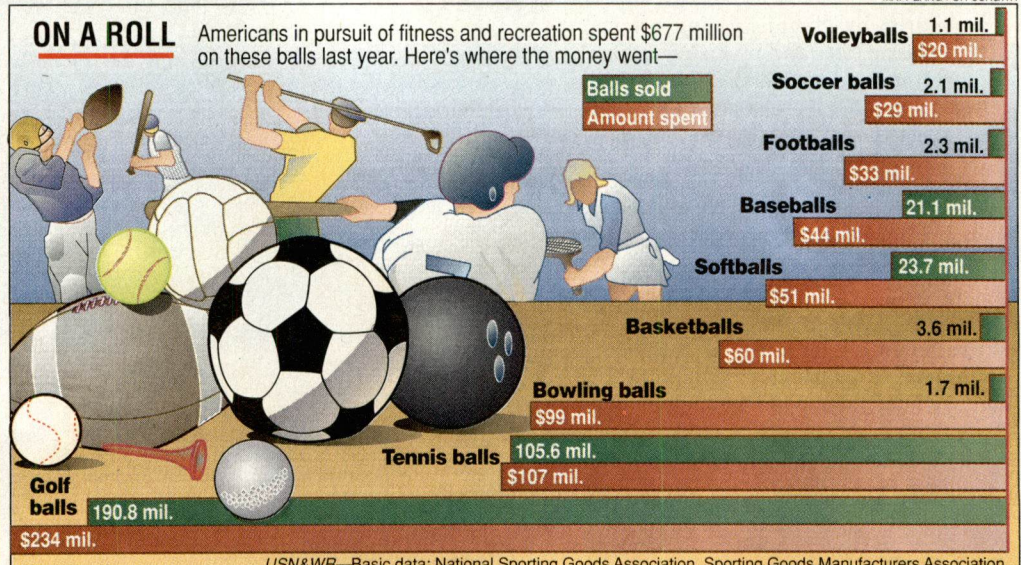
# The fairest fairs of all

Who needs a roller coaster? Last year, fairgoers liked the livestock best, then blue-ribbon winners, such as the finest squashes and quilts.

**Late summer and early fall is high season for state, county and other large fairs. Those that drew the biggest crowds in 1988 were—**

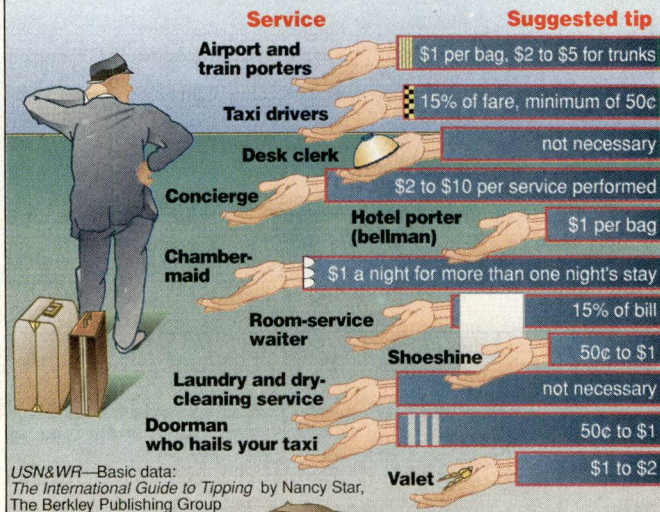
	Attendance
Ohio State Fair, Columbus	3.3 mil.
State Fair of Texas, Dallas	2.9 mil.
State Fair of Oklahoma, Oklahoma City	1.7 mil.
Minnesota State Fair, St. Paul	1.6 mil.
Los Angeles County Fair, Pomona	1.4 mil.
New Mexico State Fair, Albuquerque	1.2 mil.
Brockton-Middleboro Agricultural Fair, Brockton, Mass.	1.2 mil.
Tulsa State Fair	1.2 mil.
Houston Livestock Show & Rodeo	1.2 mil.
Western Washington Fair, Puyallup	1.1 mil.
Arizona State Fair, Phoenix	1.0 mil.
Eastern States Exposition, West Springfield, Mass.	1.0 mil.
Del Mar Fair, Calif.	978,329
Illinois State Fair, Springfield	912,933
Dade County Youth Fair & Exposition, Miami	845,884
Wisconsin State Fair, Milwaukee	834,782
New York State Fair, Syracuse	809,129
Southwestern Exposition & Livestock Show, Fort Worth	797,100
Iowa State Fair, Des Moines	792,400
Evergreen State Fair, Monroe, Wash.	724,797
Oregon State Fair, Salem	724,432
Erie County Fair & Exposition, Hamburg, N.Y.	720,668
Hillsborough County Fair & Festival, Plant City, Fla.	717,849
Santa Clara County Fair, San Jose, Calif.	688,916
California State Fair, Sacramento	686,710
North Carolina State Fair, Raleigh	684,989
Florida State Fair, Tampa	647,349
Colorado State Fair, Pueblo	642,932
Bloomsburg Fair, Pa.	642,117
York Inter-State Fair, Pa.	640,340
South Texas State Fair, Beaumont	630,000
Clark County Fair, Vancouver, Wash.	622,613
Greater Jacksonville Agricultural Fair, Fla.	610,374
South Florida Fair & Exposition, West Palm Beach	597,607
Fresno Fair, Calif.	587,264
Maryland State Fair, Timonium	586,519
State Fair of Virginia, Richmond	583,188
Allentown State Fair, Pa.	582,000
Kentucky State Fair, Louisville	575,364
Indiana State Fair, Indianapolis	571,922

USN&WR—Basic data: International Association of Fairs and Expositions



## TIPS ON TIPPING

For travelers in the U.S. who get flustered over gratuities, these guidelines may provide some help. Of course, poor service never needs to be rewarded.

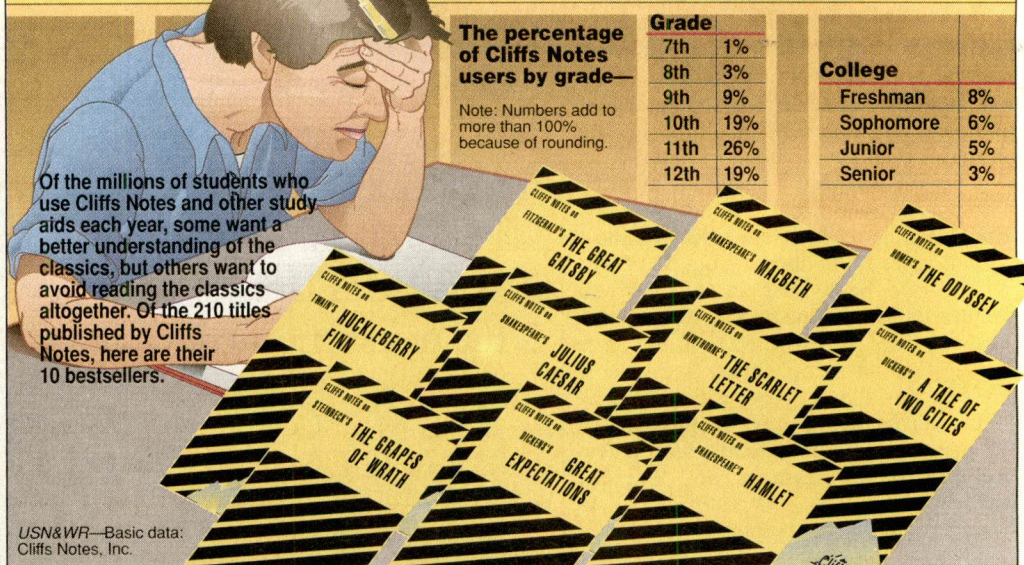


## Cliffs Notes classics

With Cliff Hillegass's help, millions of students have mastered the dubious ability of expanding on plot and characters without cracking the book. Hillegass founded Cliffs Notes, which condense literary works into 70 to 90 pages of easy reading. Some 5 million copies are sold a year. For 20 years, "Macbeth" and *The Scarlet Letter* have sold best. Popular modern titles include *The Color Purple* and *The Bell Jar*.

Compiled by Jo Ann Tooley with Lynn Anderson Carle and Joannie M. Schrof

## STUDY SHORTCUTS



## A FAILING GRADE FOR CLASSROOM COMPUTERS

Parents who think classroom computers are enhancing their children's intelligence and creativity may be disappointed. Preliminary results from a survey by Johns Hopkins University show that up to half of students' computer time is spent on mundane skills such as word processing and programing; the rest is often used for rote drills such as memorizing multiplication tables and spelling.

Knowledge about how to use a computer is an indisputably valuable skill. Most experts agree, however, that not enough computer time is spent challenging children's creativity. Adeline Naiman, education director of the Computer Museum in Boston, blames inadequate teacher training and poorly designed curricula that do not exploit the capabilities of computers. Parents can augment their children's computer learning at home with software programs that are challenging as well as entertaining. Catalogs of some of these programs, which cost \$25 to \$50 and are available by mail, are free from most educational-software publishers, including Scholastic, Inc., (800) 541-5513, Mindscape (800) 999-2242 and the Learning Company (800) 852-2255.

### ■ COMPANY BREAKS FOR TRAVELERS

Keeping the office in mind on your next vacation could lower your hotel bill. Companies often negotiate large volume discounts with hotel chains to cut down on business-travel expenses. But vacationing employes can take advantage of the savings, too. Most large chain hotels offer discounts of up to 25 percent, much better than the typical corporate discount of 10 to 15 percent available to all business travelers. Employees of 3M Corporation, for instance, pay \$78 a night for a midpriced double room at the North Shore Hilton outside of Chicago, compared with a standard corporate rate of \$108. Some companies also strike deals with hotels that include extras such as free room upgrades, free breakfasts and no service charges for phone calls.

In many cases, a company's discount will be available only at certain hotels in a chain. You can reserve discount rooms through a travel agent or by yourself as long as you know your company's identification number. Some hotels also require a picture ID when you check in.

### ■ NEW PROBLEMS WITH PAINKILLERS

People who frequently take Tylenol, Anacin-3 or other over-the-counter pain relievers that contain acetaminophen may run an increased risk of kidney disease. Although acetaminophen is often recommended over aspirin because it is less likely to upset the stomach, a recent study of the medication histories of over 1,000 patients with and without kidney disease found that those who took acetaminophen at least once a week for a year or more were about 50 percent more likely to develop the disease. Daily use more than tripled the risk, according to the researchers, whose study appeared in the "New England Journal of Medicine." They speculate that gradual drug buildup is what damages the kidneys. People who take daily dosages of acetaminophen fewer than three times a month need not worry, according to the study.

### ■ CASHING IN ON THE COUNT

Desk jockeys and foot soldiers alike can find well-paying temporary jobs with the Census Bureau starting this fall. The agency is offering part and full-time hourly work throughout the country to prepare and conduct the 1990 census. No medical or other benefits are offered, but wages are about \$5 to \$8 an hour, considerably more than the \$3.35 minimum hourly wage. The bureau plans to hire about 300,000 census takers to go door-to-door gathering demographic information, usually in their own neighborhoods. The fieldwork runs from April through July 1990, and workers can apply now for jobs.

Another 150,000 people are needed for office work, with many of those positions becoming available in October and lasting through December, 1990. The bureau is encouraging older and handicapped workers and working parents to apply for these jobs, and it will allow most workers to set flexible schedules as long as they work at least 20 hours a week. Census employes need not be U.S. citizens. However, they must be at least 16 years old and take a written math and English exam to qualify. To find out where to apply in your area, call the Census Bureau in Suitland, Md., at (301) 763-7662.

by Francesca Lunzer Kritz  
with James Popkin, Rebecca Little and Gauri Goyal

by MORTIMER B. ZUCKERMAN  
Editor-in-Chief

## THE LOST GENERATION

Is there a doctor in the house? The appeal is associated with a medical emergency, but it might be adopted for America's emergency in education and training. It is a crisis that similarly threatens our survival. There are just nowhere near enough doctors in the house with qualifications in the sciences and engineering or in the humanities to train our next generation. For the first time in American history, we have a generation of students who are less educated than the previous generation—and the prognosis is that things will get worse. The National Science Foundation estimates that between now and the year 2000, we will turn out 450,000 too few bachelors of science. Given the long lead time it takes to earn a doctorate—nine to 10 years, including graduate school—we will be producing 10,000 Ph.D.'s a year in the natural sciences but will need nearly double that number.

The roots of the crisis lie in the postwar boom of the '40s and the post-Sputnik boom of the '60s. Our universities wanted talent and granted tenure to thousands of young professors. It was the right response then, but with penalties now. These young professors crowded out a bumper crop of Ph.D.'s in the '70s and '80s who went off into other vocations. And now the young professors of the '40s have become the aging professors of the '80s. The proportion of faculty members over 50 is 40 percent; those under 35 have decreased to 6 percent.

Economics is the other driving force behind the crisis. When I graduated law school in the early 1960s, compensation for a starting lawyer was around \$6,500 a year while the average salary for a new assistant professor was around \$7,500. Today, a first-year associate in a top law firm can anticipate a starting salary that can reach \$75,000, with prospects of liftoff from that plateau. A new assistant professor today can anticipate a salary of \$32,000, which might someday grow to the level that a first-year associate in a law firm can draw today. It is remarkable that so many people have sought academic careers out of a love of scholarship or teaching. But man lives not by scholarship alone. My own decade of university teaching was possible

only because I earned a living elsewhere. When you think that it can take more than \$100,000 for tuition and living expenses to earn a Ph.D., it is not hard to see where the chips fall. Why should graduates spend more time and money to gain a Ph.D. so that they can earn less as a professor than they would by going into work at once, or much less than if they graduated from law school or business school?

The Senate's response has been to make it easier for foreign-born Ph.D.'s and other highly skilled and educated people to immigrate to America. The House should follow up. More than half of the students at the graduate level in engineering and science are foreign-born, with a heavy proportion

of Asians. And more than half of those on the lowest rung of the faculty ladder under 35 are also foreign-born.

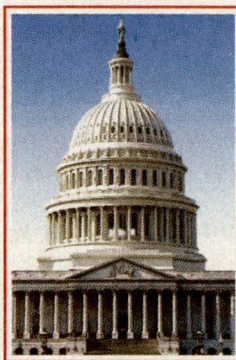
All this is fine. It is an American tradition to import brainpower. But these are not necessarily permanent immigrants. Can we assume that the gifted Chinese or Korean will always take a job in Minneapolis rather than in Kyoto or Hamburg?

Is the government going to rely once again on rhetoric and treat this human-resources problem the way we treat our

need for VCR's, namely importing foreign products to meet our domestic talent shortage? We rely at our peril on borrowing brains.

We need more fellowships, higher faculty salaries, support for the construction and renovation of the university labs that have been without appropriate federal support since the '60s, even though new experiments require vastly more expensive and sophisticated equipment. We need to computerize and microfilm our library books. Most of them are printed on acid-based paper, and the wisdom they contain will have vanished in 50 years. All this costs money, but it is a fine investment in our intellectual capital. Frank Press, president of the National Academy of Sciences, estimates that the social rate of return on academic research is 28 percent, a number that is at once conservative and astounding.

Of all the deficits America is facing, this is the one where the clock is most running against us. Will we act—or will we lose another generation of faculty and students? ■



BEFORE:

# GINGIVITIS

AFTER:

GINGIVITIS



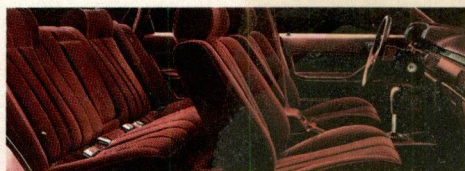
One way to help get from "before" to "after" is to use Listerine® Antiseptic. Because Listerine helps prevent and reduce plaque above the gumline and gingivitis. And it's the ONLY

non-prescription mouthwash accepted by the American Dental Association. Plus it kills the germs that cause bad breath. So brush. Floss. See your dentist regularly. And use Listerine.

TOYOTA CAMRY LEASE

# ROOM FOR LEASE.

NOW GET A GREAT 1989 CAMRY FOR A SPECIAL LEASE PRICE.



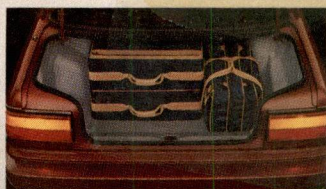
From now until September 5, Toyota Motor Credit

Corporation is offering especially affordable lease rates on *all* spacious, quality Camrys (all sedans, wagons, V6's and All-

Tracs). Ideal space and comfort for a family of five with generous storage, high ceilings (some with sunroofs) and four-door convenience. Amenities abound even in



standard models. Like plush carpeting, tinted glass, variable-assist power steering, and aero-



styled halogen headlamps. Lease for less than it costs to buy, with lower monthly payments. Plus terrific savings on special option packages. Your participating Toyota dealer has all the details.

So move into a roomy new Camry soon and get a new lease on life. Get More From Life... Buckle Up!

**TOYOTA QUALITY**  
WHO COULD ASK FOR ANYTHING MORE!



NOTE TO SUE PANAGOPULOS:

The comments of the Office of Program Analysis on "Six Months of the Bush Administration" are listed below:

Notes on the Summary:

Page 6

- o **Wetlands.** We suggest adding after the first sentence a note about the Interagency Task Force: "An Interagency Task Force on Wetlands has been established to coordinate the effort."

Notes on the Main Document:

Page 17

- o **Alaskan Oil Spill:** There is a sub-bullet concerning the Task Force on OCS environmental concerns. The Task Force was set up well before the oil spill occurred and has nothing to do with the spill. We believe the Task Force should not be mentioned under the Alaskan Oil Spill paragraph. It should appear as a separate bullet on page 17 as follows:
- o **OCS Task Force:** The President has set up a special task force to address environmental concerns about oil and gas drilling off the coasts of California and Florida."

We suggest the addition of a substitute sub-bullet in place of the Task Force sub-bullet, as follows:

- "On April 18, the Interior Department proposed a three-year, \$6 million program on research in oil spill detection, containment, and cleanup technology."

[NOTE: The attached press release may provide additional information if needed].

Page 19

- o **Wetlands.** We suggest adding after the first sentence a note about the Interagency Task Force: "An interagency Task Force on Wetlands has been established to coordinate the effort."

Possible additions on page 6 of summary and page 19 of main document:

- o **Protection of endangered wildlife:** The Administration has taken steps to declare the African Elephant endangered and to reduce trade in ivory through provisions of the Convention in International Trade in Endangered Species (CITES). All imports of ivory into the United States were banned on June 9, 1989, except for trophies from countries with quotas."

- "o **Outdoor Recreation:** The President has proposed \$206 million in his budget to expand our national parks, wildlife refuges and public lands to protect environmentally sensitive resources and expand opportunities for outdoor recreation."